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The National Budget:

The National Debt. Taxes and Rates.

THE ENGLISH CITIZEN:

HIS RIGHTS AND RESPONSIBILITIES.

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THE NATIONAL BUDGET:

THE NATIONAL DEBT

TAXES AND RATES

BY

ALEXANDER JOHNSTONE WILSON

London
MACMILLAN AND CO.
1882

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PREFACE.

WHERE important authorities are quoted in the succeeding pages I have usually given references. It may, however, be well to explain that the figures relating to the income, expenditure, and debt of the Kingdom, as well as many of the historical facts relating to the national finances, are for the most part taken from two Parliamentary Returns. The most important of these contains a return relating to public income and expenditure of the United Kingdom from the Revolution down to 1868, and is quoted by me as the Parliamentary Returns of 1869. It contains the only authoritative condensation of the facts and figures relating to that period, and is a mine of valuable and fairly well-arranged information. The other is a similar return of the National Debt from its institution down to 1858, and is quoted as the Returns of 1858.

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It may, perhaps, be well to add that I have been able to give only the merest outline of our earlier financial history. Space and time alike prevented me from doing more, and the most important period of our history, financial or other, is, after all, the present.

A. J. W.

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THE NATIONAL BUDGET.

CHAPTER I.

INTRODUCTORY NOTES ON THE REVENUE OF ENGLAND PRIOR TO THE REVOLUTION OF 1688.

"I ESTIMATE the revenue at £83,000,000, and the expenditure at £82,600,000 for the coming year." Thus the Chancellors of the English Exchequer usually sum up their annual review of the resources and liabilities of the nation. The words run glibly off the tongue and are easily read, but who amongst us comprehends their meaning; who is there that takes the pains to follow and to understand the details of our imperial finances, even when these are expounded by a financier of the genius and eloquence of Mr. Gladstone? Not one man in ten thousand. To most people the finances of the country are as a sealed book. They have no idea of a definite kind how the money is spent, and, beyond their individual experience, almost as little how it is raised. When a penny is taken off or imposed on the income-tax, each one understands that he has less or more to pay; but the working of our customs and

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excise, the effect of certain taxes on industry and trade, and the meaning for the people at large of the abstraction of so much of their resources year by year, few seek to grasp. In many respects this is not to be wondered at, for the people are not educated in financial subjects. Some indeed appear to be educated to despise them, and consider ignorance of the details of budgets, of trade movements, of the distribution of wealth, and so forth, marks of polite culture. Amongst the masses, again, the range of view is often narrow of sheer necessity. What, for example, strikes them in looking at the national outlay is not the great outgoings for naval and military purposes, but the extravagance, as it seems to them, of the royal allowances, and the lavishness of the pension list. So to, in studying the figures of income, the very magnitude of the totals is a source of bewilderment, and complaint is much more frequent about the comparatively small direct imposts than about the huge totals of customs and excise. It is indeed hard for any mind to grasp the force and significance of a million of money. Illustrate it how we may, the figure is too great for comprehension. If we say that a million sterling would provide a dinner, at a shilling a head, for the entire population of the United Kingdom above the age of ten, are we any nearer a comprehension of what this million means? Not a whit. Nor, save by way of tracing the effects of taxation in particular directions on the well-being of the people generally, is there ever much chance of arriving at any clear idea of what our revenue implies. But the subject is none the less one of profound interest and importance. Every year as we see taxes increase

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in yield or in weight, and the spending departments apparently increase in extravagance, it becomes more and more necessary that every citizen should know and comprehend the principles that govern modern tax-gathering, and the results of this or that policy in regard to the revenue. There are many ways of raising national income, and the burden of taxation is not always proportionate to the amount raised. Taxes, in wise hands, may be so adjusted as to be comparatively easy to bear, or they may, when recklessly imposed, do instant and irreparable mischief.

There should be no need, then, for me to urge upon readers the duty of acquainting themselves with the finances of the nation. No intelligent citizen can disregard these finances at any time, least of all should he do so when taxes are lightening. The fashion now is to cry out when taxes are made heavier to bear, and to leave our rulers to do as they please, so long as they impose no new burdens, and because this is the fashion mischief constantly arises. An administration comes in to reap the fruits of its predecessor's economy, and its successor has in its turn to bear the obloquy of correcting the errors and paying the bills produced by a neglected administration left free to indulge in extravagance. The nation periodically goes to sleep, and wakes only to find things wrong, and another huge bill to pay. These things should not be.

It is, however, difficult to excite general interest in a subject so universally pronounced dry and uninteresting, and I confess to some misgivings as to the result of my present effort. If the reader could but be persuaded that finance is not uninteresting, that wrapped up in

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its figures there lie the social history, the records of the progress and development, nay, the very life-struggles of the people, he might come to see that the most interesting side of history was after all the financial side. I cannot hope, perhaps, to convince many that this is the case, but if I fail, the fault is in me, not, be assured, in my theme.

The modern system of taxation is so refined that those most familiar with it are apt to forget how much its present form is due to our past history. Most of our modern taxes, however, have their tap-root in the long-forgotten past, and the general principles of our taxation have been determined not merely by the circumstances of the population, but by the bent, the privileges, and the unchecked control of the classes who have ruled the country.

In the earlier period of our history, when England was under the sway of the Norman and Plantagenet kings, the bulk of the income of the State came from Crown lands and from the feudal rights claimed by the kings over their subjects. Under the feudal tenures which still in a form subsist in England there was no such thing as absolute ownership of land. Neither was there common property in the soil. The king as supreme head of the State usurped what, in other lands, might have been the privileges of a class or the rights of the whole people. The barons and great landholders were, in a real sense, therefore, his tenants, and he exacted from them feudal military service, or money payments—socage—in lieu thereof; he imposed fines on successions, for the feudal tenure was not originally hereditary; assumed wardships of minors; escheated or

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forfeited the estates of subjects who displeased him, and in many ways did with his nobles much what an English landlord of feudal ideas does with his farmers in the present day. In this manner the Crown obtained no mean revenue. William the Conqueror himself contrived to lay hold of more than fourteen hundred manors, and his total income outside his profits from the feudal prerogatives, and merely from his exactions and oppressions, as well as from his manors and from the "Danegelt" or land tribute, originally imposed by the Danish conquerors of England, has been reckoned equal to some £10,000,000 of modern currency, exclusive of the feudal army provided for him at his barons' expense. That may be only a fanciful estimate. No one can say, for the then value of the pound of silver cannot now be accurately estimated; but there can be no doubt that his income was very large, and had his successors been as prudent and thrifty as he the liberties of England might never have been developed.

Happily for us, though not for those who bore the burden, the kings of England have never been distinguished for thrift, but generally for something very much the reverse. Either from personal folly, from the greed and ambition of favourites, or from the gnawing of insatiable ambition, they have, with few exceptions, been wasters of their substance; and very early in the times immediately succeeding William I. had to come to their people for help. At first they imposed taxes of their own motion, but these soon became so grievous to be borne that the landholders, as being then almost the sole class possessed of wealth, asserted their rights to be consulted. King John brought things to a crisis by his

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exactions, and to his supreme folly and wickedness we owe the first great charter of our liberties. Henceforth it became difficult for the kings to impose taxes upon the people without the sanction of Parliament. The wars of his next successor but one, Edward I., were the means of consolidating this great reform. That powerful monarch, who was strong enough to defy the Pope and to place the English Church outside the pale of the law until it consented to tax itself for the benefit of the State, was not able to resist his subjects when they demanded protection from extortions; and in the twenty-second year of his reign (1294) the famous addendum to the Magna Charta, the statute *de tallagio non concedendo*—was enacted, by which henceforth no king of England could impose taxes on his people save and except by the consent and approbation of the knights, burgesses, and citizens in Parliament assembled. Henceforth kings might struggle against the people, but never for any length of time could they prevail. Charles I., in attempting to revert to absolutism, and to tax and govern without the aid and consent of Parliament, lost his crown and his head.

Thus was the first and most important security for popular liberty obtained early in our national history. It was long, however, ere the range of that liberty became wide enough to embrace any but a fraction of the people, and the history of our taxation is, in some respects, the best index we have to the spread of that liberty outwards and downwards. At first, also, and for several centuries, the methods of taxation were crude and narrow as the people's ideas or the range of their wealth, and up to a comparatively recent date

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the assumption was that the Crown ought to live, in a manner, on its own resources. The taxes voted were "aids" and "subsidies," something to help the king to eke out his income, as it were. Systematic taxation as a right—nay, as a duty owed by the citizen to the State—was an idea entertained with the utmost reluctance. The first regular "subsidy" was, Sir John Sinclair says in his *History of the Revenue*, granted in the reign of Richard II. The object of this tax was to save the poor and to lay the principal burden of government upon the rich. It was levied partly by poll, and partly by a tax upon income. The dukes of Lancaster and Brittany paid ten marks each, every earl was charged four pounds, every baron forty shillings, etc. But the great body of the people—merchants, artificers, and husbandmen—were assessed a greater or lesser sum, according to the value of their estates. This system, however, he adds, "was too favourable to the indigent to be relished by the wealthier part of the community." So a heavy poll tax was levied, the first one imposed having been gathered in four years before. It had been but 4d. per head for every male and female above the age of sixteen—nobles, etc., paying at a higher rate; but this new tax of Richard's was 12d. per head for every person above fifteen years of age. No person, however, was to be taxed more than a pound for himself and family. This "new and strange subsidy," as it was called, led to the formidable rebellion, headed by Wat Tyler and others, which threatened at one time to swamp monarchy, nobles, and all. But Walworth, the Mayor of London, slew "the Tyler" and delivered the nation. How great the deliverance was felt to be may be measured by the fact that

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the dagger and bloody hand to this day borne on the escutcheon of the city was added thereto in memory of this great deed.

Poll taxes were always unpopular, but we may discover in them the far-away beginnings of the modern income-tax, just as we see in the "tonnage and poundage duties," which were levied from a very early date—at least as early as the reign of Richard the Lion-hearted; although the legislative sanction for these "customs" and "customary dues" cannot be traced beyond the reign of Edward I., the beginning of our modern Customs. Perhaps the most ancient of these duties were those on wool and leather, which seem to have been export duties. But there was also an import duty anciently of one shilling in the pound, or five per cent, on wine, called the "tonnage," and an *ad valorem* one on all kinds of goods, called a "poundage." Levied at first mostly and most heavily on foreigners, these were in 1373 imposed indifferently upon all the king's subjects, and became the subsidy of tonnage and poundage, which it was customary to grant to the king, sometimes for life, sometimes for a term of years, sometimes for a specific purpose. In later times the appellation "subsidy" appears to have been applied to a whole group of taxes, but the subsidy of tonnage and poundage was a thing by itself. Charles II. was granted this subsidy for life just after the Restoration. In early times, and down to 1671, it was farmed out for an annual rent, and occasionally it was assigned to creditors of the king. The smallness of the foreign trade in those early times may be judged by the fact that in 1329 the customs were farmed for £6260 per annum, or £20 a day, Sundays excepted.

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In 1400 the rent was £8000 per annum, and as late as the middle of the seventeenth century the yield of these taxes had risen only to about £500,000, and this, for the period, great revenue arose to a considerable extent from the great increase in the foreign trade and wealth of the country arising from the industries brought here by the earlier immigrations of Huguenots. At the accession of James I. in 1603, when the population of England and Wales was, according to the best estimates, supposed to be about 4,800,000,[1] the yield was but £127,000. It is therefore obvious that, making allowance for the higher purchasing power of the pound in those days, such an addition to the revenues of the State was often an insufficient supplement to the ordinary revenues of the Crown. The wars and extravagances of kings were ever leading them into great expense, and "subsidies" and "aids" of various kinds were constantly sought by and granted to them. Sometimes, too, they evaded the control of Parliament by borrowing from their rich subjects. As these loans were seldom repaid, they were called "benevolences," or gifts. They ceased as such in Richard III.'s day. Owing to the fact that the wealth of the country was nearly wholly agricultural, the extra taxes were for the most part laid upon agricultural products. "Tenths" or "fifteenths" of the money proceeds, or at times directly of the products of the soil, were granted to the

[1] It must always be remembered that we have no census of the population of Great Britain previous to 1801, and none of Ireland before 1813. All figures of times antecedent to these dates are therefore mere guesses. Those I give are taken from the computations of Mr. Rickman, prefixed to the census returns of 1841, and quoted in Porter's *Progress of the Nation*.

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king, to "aid" him in his wars or otherwise, down to the days of the first Stuart. The tenth sheaf of corn, the tenth lamb, or the tenth fleece, might thus be granted either instead of or sometimes in addition to the ordinary "subsidy" of a "tenth" or "fifteenth" of the whole of the products of the year. A mainstay of the revenue thus continued for a very long time to be taxes upon, or a rent from, land in one shape or other.

In spite of sales, gifts, and alienations, the Crown property remained very valuable down to a late period in our history. Out of a total revenue of only about £450,000, James I., for example, obtained £180,000 from the dues upon feudal tenures; and the rents of the Crown lands, let much below their value, were £32,000. They rose to £80,000, and might have remained one of the most valuable possessions of the State had James and his successors not sold and gifted away the land so freely. That shiftless monarch himself disposed of estates to an extent that brought him £775,000, in spite of the efforts made by his subjects to prevent such wasteful alienation. In this he but imitated his predecessors; but the greatest havoc amongst the Crown property was made during the Commonwealth, when nearly all the landed estates were sold. Their rent was then, Sir John Sinclair estimates, £120,000 a year, and they were sold for ten years' purchase. Certain forests and houses were also disposed of, and altogether £1,850,000 was raised by the Lord Protector in this fashion. These sales were declared void at the Restoration; but the Crown, and the nation through the Crown, never got back all the property. At that time the gross revenue of these

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lands was estimated at £263,598; but Charles II. soon followed his ancestors' example, and alienated anew. He did worse than that; or rather the Parliament in his day did worse. It, by a majority of two only, divested the landed gentry of all their feudal obligations to the Crown without touching their privileges; and, as compensation to the State, imposed an excise duty upon beer, spirits, wine, tobacco, and numerous other articles, calculated to produce from £200,000 to £300,000 a year, of which one moiety, called the hereditary excise, was settled on the Crown. The revenue lost to the nation from the abolition of these feudal payments was then, it is said, only about £100,000 a year, although that was probably far below their true value; but the sudden sweeping away of these Crown rights meant much more than the mere loss of that money. It marked the dawn of our modern system of indirect taxation; and the emancipation of the aristocracy from special burdens on land thus accomplished helped to alter the whole current of our later fiscal history.

The revenue granted to Charles II. was estimated at £1,200,000 a year, but did not actually amount to much more than £1,000,000. Some of it was granted for his life; a tax of hearth-money—two shillings for every hearth in all houses paying to church and poor—was granted to him and to his successors, and the excise was made hereditary. He himself bestowed the net revenue of the post-office—an institution existing in germ from an ancient date, but practically set on foot by his father—on his brother James, Duke of York and his heirs; and when the duke in turn became king he

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converted this grant into a hereditary appanage of the Crown. When James II. fled the kingdom this source of income was bringing him £65,000 a year. Three different poll taxes were granted in Charles II.'s day. One in particular calculated to yield £400,000 was given to provide means for disbanding his army. It only produced £252,000. As this king was spendthrift and needy, the devices tried for raising money in his time were numerous; but they are mostly of antiquarian interest. We may, however, note that the last "subsidy" other than the "customary" duties or old "subsidy" of tonnage and poundage, which continued part of the customs revenue down to 1787, was raised in his reign, and that stamp duties were first imposed in 1671. Various land taxes or assessments were also made, and bankers, then coming to prominence, were taxed. Altogether it is calculated that in one way or another this king received and spent about £44,000,000 in the course of his reign, including his pension from France and his robbery of £1,328,000 from the goldsmiths, a robbery which ultimately helped to lay the foundation of our present national debt. In his reign the clergy ceased to tax themselves in convocation as they had formerly done, and became merged as taxpayers among the general body of citizens. Owing to the king's dishonesty the germ of another change also became visible at this time. Parliament distrusted his spirit of reckless lavishness so much that they earmarked their grants in aid for special objects; but unfortunately neither then nor for many a long day afterwards was provision made for seeing that the earmarking or appropriation clauses of the Act granting supplies were adhered to.

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We need not dwell further upon this part of our subject. Enough has been said to indicate the leading sources of the ancient revenues of the Crown and to establish the identity of some of them in kind with the revenues of to-day. Little or no interest attaches to the short reign of James II. Parliament granted him a revenue of more than £2,000,000 a year, the largest ever, till then, granted by Parliament to any English monarch; and the fact that it did so may be taken rather as a sign of the rapidly-increasing wealth of the country and of improved modes of raising income than as a mere indication of thoughtless profusion. At the accession of his grandfather the revenue of the Crown was less than half a million, and in eighty-six years, civil strife notwithstanding, it had quadrupled. That fact is well worth noting, but the chief interest in our subject lies in the time which succeeded the expulsion of James II. from his kingdom.

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CHAPTER II.

THE PROGRESS OF THE REVENUE AND DEBT FROM THE REVOLUTION OF 1688 TO THE END OF THE REIGN OF GEORGE II.

WITH the accession of the Stadtholder of Holland and his wife to the throne of England begins the modern period of our financial history. Holding the crown by a dubious title, William III. had at once to guard his possession and to try to keep the expense of guarding it from being felt by his subjects, large masses of whom were disaffected. One of the first things he did was to abolish the tax of hearth-money, thereby surrendering £240,000 per annum at a time when the income of the State had sunk considerably below the requirements of the Government. William had to defend his new kingdom and to enlist its forces in his wars with France, and the great expense he was thus put to compelled him, since he could not impose taxes, to borrow. Other English monarchs from the earliest date had done the like, but in the long-run the State had been none the worse, for the credit of the nation had never been pledged as it came to be under the system of funding introduced by William's ministers. For the first time in

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our history, in 1694, the item "Interest and Management of the Public Debt" appears in the national accounts; but the debt had been growing rapidly before then, and no wonder. Annuities of £14 per annum for ninety-nine years were sold for as little as fifteen years' purchase. Lotteries were established, and sometimes a lottery premium was combined with a short annuity granted on the most wasteful terms. Some annuities, amounting in all to £22,800, sold at a low price on one, two, or three lives in 1694, were costing the nation £8027 per annum as late as 1782. Mainly to procure money for the Government, the Bank of England and the new East India Company were founded. They together paid £3,200,000 for their charters, but received 8 per cent interest on the money. The "tontine"[1] plan of raising money with reversion of benefits to the survivors of certain nominated lives was tried, though with but small success. In 1694, however, £1,000,000 was raised on annuities for sixteen years at £14 per cent by way of lottery. A great scarcity of coin in 1696, caused in part by the waste of wars and also by the recoinage of the called-in worn and clipped money then in progress, led to the first issue of exchequer bills. They were soon created for as small amounts as £5, but they were not at first successful. Subsequently modified and made receivable as taxes, these bills passed into considerable currency. The amount of them entered as outstanding in 1697 was £1,881,475. The bills bore interest only while in the hands of the public, and when paid into the Treasury had to be endorsed with the name of the payer and the date. This plan gave rise to frauds on

[1] From the name of its inventor, Tonti, an Italian.

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the part of the Treasury officials, who, by means of false endorsements, pocketed large sums of public money. A Mr. Duncombe was said to have made £400,000 by this process, and was condemned in the Commons to a fine of nearly half that amount, but was saved by the casting vote of the Duke of Leeds in the Lords. The duke and others were supposed to have been bribed.

Through one channel or another, by various devices, the debt of the State was steadily and rapidly increased during William's reign. At his accession the net ordinary revenue of England was reputed to be about £1,600,000, and did not exceed £2,000,000, the population of England and Wales being computed at less than 5,774,000. In 1700, within twelve years that is, the revenue had been increased to £4,343,787, the population having grown by some 330,000. This was by much the largest income that the country had ever raised—except, perhaps, during the time of Cromwell's protectorate. Yet this great augmentation in the public resources did not suffice to meet the wants of the State, and the annual burden of the debt interest soon grew to exceed the entire net revenue in the days of James II. The first funded debt—the word "fund" then implying the special taxes or "funds" set apart for meeting the charge on the money borrowed, not as now the principal of that money itself—was the £1,200,000 borrowed from the Bank of England. Then followed the East India Company's loan of £2,000,000. In 1706 the debt of Charles II. to the bankers and goldsmiths of London was compounded for, and £664,263 of it added to the funded debt at 6 per cent. This forms part of our debt to this day. By an Act passed in 1697, "tallies

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of loan"—the notched halved sticks by which, in those days and for long after, the Treasury raised money or emitted credits in anticipation of revenue—which were at a heavy discount, owing to the discredit of the Government, were "consolidated," and assigned certain taxes or funds to pay them off. The amount was £5,160,459 nominal. This, however, was hardly in its then shape an addition to the funded debt proper. It is treated in the Parliamentary returns as part of the floating debt, which amounted in that year to £13,322,925. Ireland felt as severely as England the effects of the struggle between William and the Jacobites, and on many occasions the Irish revenue had to be supplemented by large remittances from England. The average yearly income of Ireland during William's reign was £258,000 a year; but in 1692 the military expenditure alone of the island reached £833,000, and the average military expenditure exceeded the average income for the whole period of the reign by £9000 a year, leaving that much less than nothing for civil purposes. Yet in William's day began the fashion of quartering flocks of king's pensionaries on the Irish revenues. At his death the pensions paid in Ireland to his Huguenot followers who had settled there amounted to nearly £26,000 per annum.

The reign of Queen Anne was to the full as eventful as that of William III. Marlborough's wars dissipated the energies and resources of the country, and the public credit sank to a very low ebb. Floating obligations, tallies, etc., to the amount of many millions, were selling in the market at a discount of 40 per cent. To the amount of £9,178,000, including the navy debt

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of £5,663,000, they were bought up by what would nowadays be called a syndicate, and this syndicate got these miscellaneous debts converted into perpetual stock bearing 6 per cent interest. In addition, it got a charter as the South Sea Company, a name of evil omen and sinister memory. This charter conferred monopoly trading privileges in the western seas akin to those conferred on the new East India Company in the East. From henceforth, for more than a century, the South Sea Company figures along with the Bank of England and the East India Company as creditors of the British Government.

Naturally the great additions made constantly to the national debt soon involved an increase of taxation. William began by taking burdens off, but ere long his financiers had to exercise as much ingenuity in finding sources of revenue as in devising attractive baits for lenders. Heavy additions were made to the custom duties, and excise duties on salt, on distilleries, and on malt, were first introduced in this reign, as well as sundry stamp duties on deeds, leases, etc., and on probates of wills. Sinclair states that customs and excise together yielded net, and in almost equal halves, no less than £26,946,000 in the thirteen years from the Revolution to the accession of Anne. William had likewise to impose a land-tax, for which a new, but very imperfect, assessment was made. The adumbration of a land-tax that still forms part of our imperial revenue is to this day levied upon that valuation. The tax yielded over £19,000,000 in the period of which we speak, or a larger sum per annum than the country gets from it now, because it has been partially

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redeemed. To reconcile the landlords, an Act was, for the first time, passed in 1689, granting bounties on corn exported. William III. also levied poll taxes; but they were not very productive nor very strictly collected.

For the year ended 29th September 1702, the year in which Anne succeeded to the throne, the net revenue of the Crown from all sources was £4,869,000, or more than double the highest estimate of the revenue of James II. Large as this was, it was exceeded by the expenditure. The mad war of the Spanish succession was just beginning, and William at the time of his death had been busy equipping his army. For a year or two the expenses of this war did not tell much on the national exchequer, and the revenue came in more freely, so that the deficits were slight; but as Marlborough drew more and more to the front in the struggle, the deficits increased, and Sinclair estimates that the amount borrowed during Anne's reign nearly equalled the amount received from taxes. In all, he says—and his figures are probably very near the truth—the Government received £122,373,000 during the twelve years she sat on the throne, and of that large total £59,853,000 was from loans. According to the Parliamentary return of 1869, the first year of her reign saw the revenue increased by fully £600,000. At her death in 1714, such had been the evil effects of Marlborough's campaigning, it had actually decreased, although in the interval taxation had been raised. The highest amount received in any one year from taxation was £5,748,000 in 1712, but the expenses of the State reached £15,000,000 the previous year. No wonder that at her death the total net debt of the State amounted to £35,923,000,

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an increase of nearly £24,000,000 in about half as many years. That debt cost the nation, in interest, annuities, and management, £3,034,000 per annum; of which nearly two and a half millions was for the funded debt. This had grown, by the creation of 6, 5, and 4 per cent annuities and South Sea stock, to about £28,000,000. These figures, as also those of the revenue, are, it should be stated, uniformly for Great Britain, although the union of England and Scotland was not accomplished till 1707. Scotland, however, contributed but little to the gross revenue of Great Britain previous to the Union. Its average income for the three years ended Michaelmas 1705 was but £109,000, and at the date of the Union its public debt was but £160,000.

Some interesting and curious items figure in the accounts of Queen Anne's reign, but we can mention only one. For seven years, down to the year of the queen's death, Marlborough's "house," or "palace," as it soon was called, of Blenheim, at Woodstock, appears in the national accounts for sums varying from £12,000 to £42,000, and reaching a total of £230,000, contributed to its building. What with his pickings and stealings on army contracts, his percentages on soldiers' pay, his large grants of money, and his perpetual pension, this great general was one of the costliest servants England ever had.

Ireland was rather less oppressed by military charges in Anne's reign than in that of her predecessor. The revenue improved somewhat, its average for the twelve years preceding 25th December 1714 being £309,000, whereas the average charge for military purposes was

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brought down to £245,000. Something was thus left for the civil government, though not very much.

The thirteen years that George I. sat upon the throne were comparatively uneventful. There were no great wars to eat away the resources of the State; and the rising of the Jacobites, and the petty squabbles with Sweden and Spain, into which the king's Continental possessions led us, happily came to little. Nevertheless, such was the wasteful extravagance and corruption of public servants at that time that the entire revenue was not only eaten up, but the debt increased. In this reign the disgraceful scandals of the South Sea Bubble came to a head, involving nobles and high Government officials, including the then Chancellor of the Exchequer, in obloquy and ruin. He, a Secretary of State, and the directors, were all implicated in the fraudulent dealings, —amounting to seven and a half millions, it is said— committed with the Company's stock. The South Sea Company never did any business in the South Seas, but was from first to last merely a creditor of the Government, and a swindle. In 1714 the Government owed it £10,000,000, on which it received 6 per cent interest, and £8000 for management. Two years later the interest was lowered to 5 per cent, and three years later still, in 1719, the Company took over the residue of some lottery annuities, raising thereby the amount of its stock, and of the Government debt under this head, to £11,747,000. The annuity payable by the State on this debt, including £10,000 for management, came to £597,000. In the following year an Act was passed empowering the Company to consolidate the floating debts by allowing the State creditors to subscribe them

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into South Sea stock, or, in the case of annuities, by their purchase at a price agreed on. The result of the transactions founded on this Act was the conversion of redeemable and irredeemable annuities to the capital value of £26,055,000 into South Sea stock. The total capital of the Company, for which the State thus became responsible, was raised to £37,802,000. As £33,963,000 of this bore interest at 5 per cent, the annuity of the Company amounted to £1,861,114, including "management;" but in a few years it was reduced to a uniform 4 per cent. For the privilege of carrying out this transaction the Company offered the Government a bonus of upwards of £7,000,000; but the money was never paid, for the "bubble" soon burst. In 1722 £4,000,000 of the South Sea stock was transferred to the Bank of England, and became part of its Government debt, which it is to this day.

We shall have to meet this curious product of the spirit of gambling and Government necessity again; but neither its affairs, nor that of the East India Company, with which the State had likewise many transactions, are of sufficient importance to demand detailed mention in a work like this. The East India Company's debt was not dealt with as soon as that of the South Sea Company; its loan of £3,200,000 to the Government standing at 5 per cent till 1731, and the Bank of England continued to draw 6 per cent interest on £1,600,000 of its total advances, amounting, including the transferred South Sea stock, to £10,100,000, for two years longer still, when the whole was brought down to 5 per cent.

The reign of George I. was notable for the first

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attempt to introduce a sinking fund, or wonder-working plan for making the debt pay itself off by the automatic operation of compound interest, which unhappily had no appreciable effect in reducing the capital of the debt outstanding. Owing, however, to the reduction made in the interest of the various extravagant permanent annuities that had been created in the two previous reigns, the burden of the debt was a good deal lightened. In 1721 the total debt, funded and floating, amounted to £54,400,000, and the entire charges on it were £3,314,000 according to the return of 1869, including the small Irish debt which first appears in the accounts of 1717. The Parliamentary return of 1858, however, gives the debt charges as only £2,855,000; but the discrepancy may arise from sundry discounts and allowances for management being included in the later and more elaborate series of figures, or it may be due to the different dates covered by the accounts. Whichever total we take, the fact is established that the debt burden was reduced beyond the reduction of the capital due. At George I.'s death the total debt was £52,500,000. The valuable Parliamentary return of 1869 gives the charges as £2,783,000, and that of 1858 as £2,361,000, a proportionately greater reduction.

As I cannot quite clear up these discrepancies, I shall, save when exceptional circumstances cause me to do otherwise, always quote the figures of the 1858 return when dealing with debt statements alone. When comparisons of revenue and expenditure are made, it will be necessary to adhere to that of 1869. Substantially, I take it, both returns are right, only differently made up.

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When George II. became king, in 1727, the debt of Great Britain was a little over £50,000,000, the population of England and Wales being computed at about 6,000,000, and, however reckoned, the annual charge upon it much exceeded the entire revenue of Great Britain previous to the Revolution. The country, however, was prosperous, and its industries slowly developing, so that the burden seems to have been borne without much difficulty.

Had the Government of George II. been prudent and economical, had we kept out of various Continental wars and busied ourselves with our own affairs, the debt might have been almost wiped out by 1760, the year of his death. As it was, this king's reign is notable for a greater increase of the debt than any of his immediate predecessors had ventured upon. Yet he began, in a manner, auspiciously. The country was at peace from his accession till the outbreak of the "Jenkins's ear" war with Spain in 1739; and during that time, in spite of corruption, bribery, the necessities of the king's foreign dominions, and the steadily swelling pension-list, the debt total was reduced until, when the war broke out, it was down to about £46,500,000, involving an annual charge of little more than £2,000,000. This reduction took place notwithstanding Walpole's diversion of the "sinking fund" to purposes other than the payment of debt, his reduction of the land-tax once to one shilling in the pound, and the waste of £1,453,400 in ten years on "secret service"—in other words, on corruption. Sinclair blames this minister, also, for neglecting to reduce the interest on the bulk of the debt from 4 to 3 per cent, at a time when the credit of

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the State would have permitted this to have been done with economy.

From 1739, however, the debt and expenditure of the country advanced with great rapidity. Not content with fighting Spain, England, in 1742, took up the quarrel of Maria Theresa of Austria. Parliament voted her a subsidy of half a million in that year, and five millions for equipping an army to carry on the war. When peace was signed in 1748, the debt had risen to £77,500,000, and the gross charge upon it to £3,200,000, including the small Irish debt. The eight years of peace that followed did little to reduce this total, and when the Seven Years' War broke out in 1756, four years before the king's death, the debt immediately began again to grow. At his death, its total was £102,000,000, and the annual charge upon it, according to the Parliamentary return of 1858, which always includes the Irish debt, £3,576,000.

The cause of this enormous increase in the capital of the debt, beyond that of its annual charges, was the system, which grew up in this reign to be habitual, of raising all the capital needed at a low fixed rate of interest, no matter what the credit of the State might be. Whatever might be the extravagances of the earlier methods of obtaining money, they had at least this advantage, when permanent annuities were in question, that the nation was usually pledged to pay back no more capital than it had received. There were exceptions, but not many, and hence, when the credit of the State improved, as it always did in time of peace, it became possible to reduce the rate of interest. But when it became the habitual practice to borrow, nomi-

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nally at 3, 3½, or 4 per cent, no matter what the credit of the State might be, the inevitable result was a heavy and permanent increase in the liabilities of the State, over and above the actual cash it received. In other words, as the real rate at which the State could borrow might be 5 or 6 per cent, instead of 3 or 4, it followed that, when a 3 per cent stock was offered to the market, it sold at a discount which represented the then true credit of the country.

This plan had, however, one questionable advantage. It made borrowing easy. From its earliest beginnings the stock market has dearly loved a stock at a discount, for the facilities of making gambling profits it affords. Thus, by surrendering to the lenders the reversionary interest, so to say, in the nation's credit, these lenders were able, when that credit rose, to reap enormous profits by selling their stock. In this way the country suffered great and permanent loss, for we pay, to this day, for the extravagant policy of the financial advisers of George II. and his successor. But the usurers and stock-jobbers were made the more eager lenders.

To this point, however, we shall also have to return. Meantime, and before entering on the momentous reign of George III., I must briefly trace the progress of the ordinary revenue of the United Kingdom. At the accession of George I. the net revenue of Great Britain was little more than £5,500,000. Of this customs provided £1,685,000, and excise £2,303,000, as against but £1,129,000 contributed by every description of assessed tax, including the land-tax. The post-office then produced only £95,300, and stamps but £142,000. The highest income the country

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had ever enjoyed was that for the year ended 29th September 1717, when it reached £6,500,000. Generally it hovered at about £6,000,000 during this king's reign, but in 1726, the year before the king's death, the income fell to little more than £5,500,000, of which customs and excise contributed £4,085,000, and land and assessed taxes, duties on personal estates, pensions, and offices, including £4273 from a "tax on Papists," only £1,140,000. These, it must always be remembered, are the net figures, the gross burden on the people being considerably more, perhaps as much as another million.

A great increase of revenue is also noticeable in the second year of George II. — all financial years then ending on 29th September. It rose to £6,740,000, but immediately fell off again; and through remission of taxes, especially of the land-tax, sank in 1734 to less than £5,500,000. But the country was at peace and prospering, and the excise crept up in yield, almost year by year, until the outbreak of war threw the nation back, by draining it of men and money. One cause, however, of the maintenance of the yield of both excise and customs was the repeal of the Act passed in 1729 for the total abolition, at Christmas the following year, of all duties upon salt. Walpole could not afford to let both these and the land-tax go, so, to please the landowners, he reduced the latter to one shilling and reimposed the duties on salt, "by which the poor grievously suffered." Certain exemptions, however, were granted, lightening somewhat this load.

Under the stimulus of war necessities, taxes had to be reimposed and increased; and by 1749, thanks to

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augmented customs receipts, and a larger income from land and assessed taxes, the net revenue reached £7,500,000. It fell away again in the succeeding years of peace; but the outbreak of the Seven Years' War in 1757 at once brought renewed pressure, under stimulus of which the revenue for the year ended 10th October 1761 attained the unprecedented total of £9,594,000. On the army, navy, and ordnance services alone the expenditure that year was £16,000,000, and the total outgo, exclusive of the debt manipulations, but including interest on the debt, was upwards of £21,000,000. George II., it is stated by Sir John Sinclair, received from taxation and sources other than debt no less than £217,217,000 in the thirty-three years of his reign, or an average of nearly £6,600,000 per annum, by much the largest income ever enjoyed by any monarch of this realm. Yet his ministers and he not only spent it all, but left the net debt of the nation £50,000,000 more than they found it. Roughly speaking, the net income of Great Britain was equal to about 20s. per head of the computed population, and the debt reached about £14 per head at the close of this king's reign.

The Irish revenue rose during this period—*i.e.* during the reigns of the first two Georges—from an average of £309,000 per annum to an average of about £495,000. At the death of George II. in 1760 the Irish debt was £281,538. The total military expenditure of the United Kingdom for that year, including £277,000 spent out of Irish resources, was £13,700,000. In the year 1761 it was £16,600,000. On an average, Ireland alone still spent, or was made to spend, the bulk of her revenue on the army; and from first to last the pen-

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sions paid to French refugees in Ireland had up to the 25th March 1761 cost Ireland, or the English revenue through Ireland, nearly £600,000. This was altogether exclusive of the large subsidies paid to the Irish linen manufactures in which these French immigrants were deeply interested. In point of fact, Ireland was, during the whole of this time and for long after, a heavy burden upon the English Exchequer.

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CHAPTER III.

THE FINANCIAL HISTORY OF THE REIGN OF GEORGE III. DOWN TO THE CLOSE OF THE FRENCH REVOLUTIONARY WARS.

To the thoughtful people of the latter half of last century the costly wars and extravagances of the sovereigns and Governments of this country were the cause of much alarm. The gloomiest predictions were uttered as to the fate about to overtake a nation loaded with debt as England was. That within the space of seventy-five years the ordinary income of the State should have been quadrupled, and that a public debt should have been created equal in amount to nearly eleven years' revenue, were considered facts of the most sinister kind. The annual burden of the debt itself was much more than the total revenue had been anterior to the Revolution. Nor were the debt-burden and the wars that caused it all the mischief. There was a steady increase in every department of public expenditure. The peace that came after each successive war never saw the cost of the army and navy sink to where they stood before that war began. Even in times of peace Dutch William had to maintain a costly army in order to hold down

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the country; and his successors had either acquired new territory during their contests which had to be held by force of arms, or, from ambitious promptings and the love of being thought a great power, found means to prevent the reduction of the forces. The cost of the army and navy thus became, like the debt itself, an increasing dead weight upon the backs of the people. The standing army was, indeed, as great a curse to the nation as the debt; and the navy was not a whit behind, although, from our insular position, and from the spirit of the time, it was a much more necessary force. Save for the foreign origin and sympathies of our monarchs, which led them to mix in every Continental breach, we needed but the merest skeleton of an army in times of peace. A few figures will show how much this need came to be exceeded.

In 1701, the year before William III. joined in the war of the Spanish succession, the charges for the English army amounted to £442,000, and for the navy to £1,046,000. Including ordnance, the total cost of the military and naval establishments was only £1,538,000. Passing by the brief intervals of quiet visible between the close of this war in 1713 and the long peace of George I.'s time, we may next select the year 1738, the year before a reckless war broke out with Spain. Previous to that year there had been peace, or the next thing to peace, for nigh seventeen years. All charges incident to old wars must therefore have long ago been covered, and the true "peace footing" reached in the military service. Nevertheless, the figures were these—army charges, £846,000; navy ditto, £819,000; ordnance ditto, £115,000; total, £1,780,000. Thus, although the

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navy charges had been reduced, the army cost double and the ordnance nearly triple the charges of the beginning of the century, and, the savings on the navy charges notwithstanding, the total peace cost of our forces had increased by nearly a quarter of a million per annum. These are, moreover, the most favourable figures presented by any of the years of peace at that time. So, too, after the peace of Aix-la-Chapelle in 1748, a higher level of ordinary expenditure was again reached. The nation, dragged into foreign disputes with which it had no business, and compelled to uphold the king's foreign dominions, found its army and navy costing, decade by decade, larger and larger sums of money. The lowest year's expenditure between 1748 and 1756, an interval of peace, was £2,122,000 in 1753; but in 1755, the year before the Seven Years' War broke out, army, navy, and ordnance cost £3,391,000; and that total, together with the £2,731,000 representing the charges on the debt for that financial year, absorbed all but about £800,000 of the net revenue of Great Britain.

No wonder though the debt grew apace. No wonder that the gloomiest views prevailed as to the future, that prudent and thoughtful men looked forward to national bankruptcy and social ruin. The world had never before seen a nation take to such a lavish course, and the load of debt that a whole people could take upon their shoulders had never yet been weighed. We who come after—we who see not one nation, but nearly all nations, cheerfully piling up burdens seemingly without limit, and to all appearance thinking nothing of the load —we who can reckon up the hundreds of millions spent during the long reign of George III., are less roused at

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the weight of our burdens than were the people in the middle of last century.

The civil expenditure also tended to expand with the rest, and deficits in that direction had frequently to be made good by grants from Parliament. In those days the pensions bestowed on members of the royal family, and out of the royal bounty, were mixed up with the king's own salary, the cost of his household, the secret and special service moneys, salaries of ministers at foreign courts, mint expenses, Queen Anne's bounty payments, and the miscellaneous outgoings of the civil list. During the reign of George II. all these charges together averaged about £1,000,000 per annum. From 1749 onwards they nearly always exceeded the million. In the previous reign the range of expenditure had been rather lower, and in Anne's time lower still.

At the beginning of George III.'s reign the civil list was fixed at £800,000 per annum, but that sum was nearly always exceeded. A fresh complication was likewise introduced into the accounts by the new practice which Parliament then adopted of requesting the Crown to provide for unestimated expenditure out of the civil list moneys, under pledge of repayment in the year following. Including these irregular payments, the net civil list expenditure always, from 1762 onwards, exceeded a million a year, and very often came to a million and a half. The gross expenditure was probably a good deal more; but until 1801 the net income and expenditure are alone obtainable. Sinclair calculates that in the first twenty-eight years of this king's reign the net civil list expenses were about £26,000,000;

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but that is exclusive of so many important items that it may be considered to represent little more than the cost of the Court and its pensioners. The net revenue for the first time exceeded ten millions in the financial year ended 10th October 1764. The Seven Years' War was then over, and but for the huge debt and augmented military and naval charges, that income should have been more than ample for all purposes. As it was, the debt charges of that financial year absorbed £4,887,000 in Great Britain alone, and the military expenditure of every description, including foreign subsidies, £4,662,000. As the total civil charges reached £1,137,000, there was a small deficit at the year's end. In the succeeding years, however, there was a slight reduction in the principal of the debt, partly through the operations of surplus revenue, partly through refunding. Both the South Sea 4 per cent stock and the debt to the East India Company had been reduced to 3 per cent in 1757, a saving of ½ per cent on £28,225,000 of capital, or £141,000 a year; and the 4 per cent annuities were gradually reduced from £27,224,000, at which they stood in 1763, to £18,986,000 in 1770, by creations of new 3 per cent stock. They stood at that figure till 1777, when the enormous cost of the American War of Independence led to their increase, along with that of other denominations of the debt. The short-sighted financiers of these days continued to pursue the wasteful policy of raising most of the loans at the nominally low rate of 3 per cent, no matter what the actual credit of the nation might be. Not only was the principal of the debt much increased by this wasteful process, but all chance of a reduction in the annual charges, when

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the restored credit of the nation might permit it, was deliberately thrown away. When the American War of Independence broke out in 1775 the capital of the funded debt of the United Kingdom stood thus:—

Debt to the Bank of England, at 3 per cent	£11,686,800
,, East India Company, at 3 per cent	4,200,000
,, South Sea Stock, at 3 per cent	29,984,685
Annuities at 4 per cent	18,986,300
,, at 3½ per cent	4,500,000
Reduced 3 per cent stock	18,353,774
Consolidated 3 per cent stock	38,251,696[1]
Bank Annuities at 3 per cent	1,000,000
Irish debt at 4 per cent	799,754
Total	£123,763,009

Upon this debt the total annual charge for that year was £4,485,000, a reduction in the charges of but £208,000 in eleven years. The principal of the debt was less by about £4,400,000, so little had these years of peace done for the deliverance of the nation from its burdens. When, in 1783, the miserable fratricidal war with our American colonies closed in, for us, shame and defeat, the catalogue of our debt stood as follows:—

Bank debt, East India debt, and South Sea Stock at 3 per cent	£41,871,485
Annuities at 4 per cent	29,750,000
Reduced 3 per cent stock	37,340,074
Consolidated 3 per cent stock	101,401,696
Carry forward	£210,363,255

[1] This annuity was first created in 1751 to consolidate a variety of petty annuities, hence its name. From this term also comes the modern word "consols," which is merely the abbreviation of the longer word, and originally the slang term of the stock market.

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Brought forward . .	£210,363,255
3 per cent Bank annuities	1,000,000
Debt to Bank of Ireland at 4 per cent . .	553,846
Irish 4 per cent annuities	856,246
Total . .	£212,773,347

These two totals, however, represent the funded debt only. The total liabilities of the United Kingdom at this date, funded and unfunded, amounted to £231,844,000, and rose in 1785 to £245,586,000. The floating debt was £19,436,000 at the close of the war, as against £3,080,000 when it began.

According to these figures, therefore, these eight years of strife cost this country in new debt about £119,000,000, but as the money was raised chiefly by 3 per cent consolidated stock issued at a discount, the actual cash received was much less than this. Owing to the difficulty of ascertaining the exact discounts, bonuses, lottery prizes, or whatever the allowance might be called, on the issue of any particular loan, I cannot say what the difference between the nominal and actual is in this case, but the probability is that it was not less than 30 per cent, and it was not unlikely more.

Sir John Sinclair estimates that the American War cost altogether £139,171,000, including probably the cost of the shorter but most expensive European quarrels arising more or less out of it; and as he puts the total cost of all the wars from the Revolution to this date at but £386,000,000, it follows that this was by far the most costly strife England had ever indulged in. In part this cost was owing to the already mentioned increase in our military and naval establishments, but the new and reckless mode of creating debt had

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something also to do with the rapid increase in the nation's liabilities which these wars induced.

With all these wars, too, the nation on the whole continued to grow in wealth and prosperity, save for brief intervals. Those who looked exclusively at home were ready always to predict the immediate ruin of the country, owing to its excessive burdens. But the truth was that these burdens were then, as they have been since, to a considerable extent mortgages on new estates acquired by the nation. The burden of the mortgages fell doubtless mostly on the wrong people, and often caused intense misery to the working classes; but the mortgages themselves represented extended foreign commerce, new foreign possessions, and increased power of a kind tending to wealth. The American War was in some sort a sacrifice of advantages like these, it will be said; but even that is doubtful, for while they were tied to us as colonies, and tied up as to their trade, the American settlements did us little good, and cost us much money. Their emancipation turned out a gain to us, therefore, in the end. Still, there can be no doubt that the loss of these colonies and the frightful burdens that our quarrel with them entailed were things calculated to weaken and degrade this country to a second or third rate power; and it is quite possible that but for our increasing grasp of India, and the unprecedented gains drawn from our possessions there and our gradual supplanting of Spain and Portugal as the leading traders in other parts of the world, something like the predicted ruin might in time have overtaken us.

As it was, the new gains in the end more than counterbalanced the old losses, if losses they were, and

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year by year the wealth of the nation increased. So likewise did the population, though slowly. It was for Great Britain alone probably between nine and ten millions in 1780. The revenue was £10,613,000 in 1774, and £13,214,000 in 1784, an increase of nearly £3,000,000. It thus represented a net burden of from 27s. to 30s. per head, but it is impossible to make comparisons between then and now. Not only are the figures of that date indefinite in some directions, and of a different kind in others—the revenue being net instead of gross — but the wealth of the country was infinitely less diffused. A seemingly low rate of taxation compared with our standard might thus, in reality, be extremely heavy. It may be noticed, however, that the incidence of taxation was all this time being more and more shifted from the shoulders of the governing class to those of the "dim common population"—a proof alike of class legislation and of expanding wealth. These could not otherwise have borne it. The American War itself had its origin, to no small extent, in an effort to extend this policy beyond seas. Our lordly rulers reduced the land-tax in 1767 by about half a million per annum; and as part compensation, Charles Townshend, then Chancellor of the Exchequer, wanted to raise some £40,000 by petty taxes on tea, glass, etc., imported into the American colonies. A persistence in this policy by the Government cost it that magnificent territory; but at home it was more successful. Without political power, and almost devoid of independence of spirit, the common people of England permitted themselves to be freely taxed, not merely for their share of the national charges, but for that of their superiors as well. At the accession

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of George III. the excise taxes of the United Kingdom yielded £4,816,403, and the customs £1,824,118, or together £6,040,521; and the land and assessed taxes, and duties on pensions, offices, and personal estates, or taxes on the rich, yielded £2,386,056. For the year ended 10th October 1784, twenty-four years later, the excise revenue had risen to £6,139,312, and the customs to £3,025,630, while the land and other taxes remained nearly stationary at £2,460,145. The land-tax itself never exceeded 4s. in the £, and in two instances during the first half of George III.'s reign was fixed as low as 1s. In 1798, at a time when the country needed the utmost help the rich could give it to carry its enormous load of debt and administrative charges, this tax was fixed at 4s. in perpetuity, and on the valuation of William and Mary's day. Not only so, but elaborate provisions, under pretence of facilitating the payment of the national debt, were made for its redemption. The quota payable by each county in England was fixed for ever, subject to these redemption privileges by which the actual payment per annum is now reduced to nearly £900,000 less than the tax produced at its first imposition. This tax, in short, yields in our day but £1,075,000 per annum, and some idea of the extent to which the wealthy land-holding class managed during the last century to lift from their own backs on to those of the people their share of the load will be gathered from the fact, that were a 4s. tax raised from land on its present valuation it would yield from £17,000,000 to £20,000,000 per annum.[1]

We must, however, revert to the state of the revenue

[1] Vide *The Financial Reform Almanac* for 1881, pp. 150, 151.

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between the close of the first American war and the wars with France and Spain, closed by the peace of Versailles in 1783, and the outbreak of the long wars of the French Revolution ten years later. This period is famous for a reason hardly to us, in these days, credible. In 1786 Mr. Pitt constituted his thaumaturgical sinking fund, by which, as in the case of Walpole's fund, the whole of the national debt was to be automatically wiped out. The net revenue of that year was about £14,500,000, exclusive of the proceeds of two small lottery loans, and of £7,345,000 raised by issues of Exchequer bills. £10,200,000 of this was produced by customs and excise. Nearly the whole of that ten millions was absorbed by the debt charges, and as the military and naval charges took £5,483,000, and the civil government £2,014,000, the result was a considerable deficit. Nevertheless, Mr. Pitt, deluded by the fanciful theories of a Dr. Price, who had gone mad about the magical influences of compound interest, so mad that he took to reckoning the value of the "globes of gold" that would have been in hand in 1772 as the product of a penny put out at compound interest at the birth of Jesus Christ, started a sinking fund to pay off the debt. By the Act passed in that year, £1,000,000 per annum was to be set aside to accumulate at compound interest for this purpose, and everybody thought the financial millennium was in sight. Mr. Pitt himself was "proud to flatter himself" that his name would be "inscribed on that firm column now about to be raised to national faith and national prosperity." All alike forgot that "compound interest" does not grow by nature, like cabbages, that somebody has to pay the "interest,"

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and that if the nation had no surplus revenue it could pay neither interest nor principal. Only by a proportionate growth of taxation could the growing annual charges of this sinking fund be met; yet it took upwards of forty years to bring our financial lights to see this, and from first to last Dr. Price's theories cost the country as much as a big war. To carry out the "sinking fund" theory, as well as to meet current expenditure, new debt had each year to be created, and the Government at last merely borrowed with one hand what it paid with the other. As it often bought in stock comparatively dear, and borrowed anew on most disadvantageous terms, the results may be imagined.

Another product of this time was a monstrous corn law. Always intent upon securing their own interests, no matter at what cost to the people at large, the land-owning and land-holding classes had from a very early period given much thought to regulating the price of corn, to them the chief source of wealth. The history of their efforts in this direction, as also in the direction of philanthropically securing food for the people, is full of interest and instruction, but cannot be traced by me here. I can only repeat the fact that from the time of William and Mary, who, taxing the landlords, as they had then become, with the one hand, sought to conciliate them with the other, the exportation of corn was stimulated by bounties when the harvests were so abundant as to threaten too great a fall in prices, while importations on the other hand were checked by a variety of restrictions, all having in view the securing of a good price for home-grown grain. Owing to good harvests, the "bounties" on exported corn paid by the nation

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between the years 1740 and 1751 amounted, M'Culloch says, to £1,515,000; that being, of course, but their net amount. Subsequent to that date the more rapid growth of our population, and the wonderful expansion of our manufacturing industries, tended more and more to turn the balance the other way; and as prices kept pretty steady—the average price of the quarter of wheat having been, according to the records of Windsor market, £2 : 11 : 3½ for the ten years ended 1775, as against only £1 : 19 : 6¾ in the previous decade—restrictions on importations were so far withdrawn in 1773 that wheat was thenceforth to be admitted at a nominal duty of 6d. per quarter when the price reached 48s. No bounties on exportation were to be paid when the price reached 44s. Improvements in agriculture, the continued increase of population, and its rapidly-extending employment in manufacturing industries, led under this Act to the double result of a lesser average price of corn, and an increased import. The fact that a greatly-increased consumption brought no increased price displeased the landlords, and they blamed the law of 1773. Working on the popular dread of a dependence on foreign supplies of food, they got, with little opposition, an Act passed in 1791, making 76s. per quarter the limit at which corn could be imported on paying 6d. duty, imposing a duty of 2s. 6d. per quarter when the prices ranged between 50s. and 54s., and wellnigh prohibiting importations altogether by a duty of 24s. 3d. per quarter when the price fell below 50s. This law marks the beginning of a reactionary period, during which the population of this country endured miseries which in these days would bring revolution upon us in a very

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short space. But for the diversion of the national spirit and life into the wars with France, which lasted for the greater part of twenty-two years—from 1793—this and succeeding corn laws might have brought revolution upon us then. As it was, these wars diverted men's thoughts to other channels, and to many brought marvellous wealth, or prospects of wealth. The people at large suffered much; but even they had a kind of compensation in the vain thought of British "glory," which our ultimately victorious career inspired, and the load the much fighting and such laws as these laid upon them was carried with far less impatience than any person, speculating beforehand on probabilities, would have thought possible.

Speaking generally, and notwithstanding the sinking fund magic, the years of peace which intervened between the colonial war and the wars of the revolution were not turned to any good account in reducing taxes and public burdens. In spite of foolish modes of taxation and much wastefulness, the revenue grew, but it was all spent, and more. The net revenue of Great Britain for the fiscal year 1784 was £13,214,000; it rose next year to over fifteen and a half millions, and two years later was almost sixteen and a half millions. For the first time in our history it amounted to £17,000,000 in the year 1790, and the following year was £18,500,000. It never again sank below that figure. The net revenue of Ireland likewise grew pretty steadily at this time, and amounted in 1793 to £1,364,000, the average for the previous thirty years having been but about £850,000. These totals include the net proceeds of lottery loans, which were

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issued year by year with the utmost regularity; but the augmented figures were due solely to the growth of revenue. One would have thought, then, that in times of prosperity and peace like these Mr. Pitt's "sinking fund" would have worked marvels, but it did no such thing. Ordinary government charges grew just as fast as the revenue. At the beginning of George III.'s reign the army and navy, including Irish charges, cost rather less than £5,000,000 per annum. That is the average for the first five years succeeding the peace of 1763. But the peace charges on this account for the five years preceding the revolutionary wars with France averaged almost £6,000,000. The net civil government charges rose at the same time from about £1,250,000 to over £2,500,000, or more than double. But the greatest increase was in the debt charges. These, for the United Kingdom, amounted to about £4,750,000 at the accession of George III., and thirty years later were £9,422,000, again just double. No wonder, therefore, that the "sinking fund" did so little. The capital of the debt, funded and floating, was £245,500,000 in 1785, and it was £239,650,000 in 1792. A reduction of less than £6,000,000 was, therefore, all that the great revenues of these peace years, aided by Mr. Pitt's wonder-working fund, were able to show. The greater income was merely the ground for higher flights in expenditure, and the greatest of these was to come.

The revolutionary wars which broke out in 1793 mark a most momentous epoch in our history in every respect, and certainly not least in a financial sense. Their effects and consequences are felt by us still, and, so far as one can see, will continue to be felt as long as

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England exists. Compared with what they cost us, all outlays on our previous wars seem as nothing. Their charges led to the remodelling of our fiscal system, spurred the nation to great exertions, developed its trade, increased the poverty of its poor, and the wealth of its rich. We can form no intelligent conception of our financial position to-day unless we grasp some idea of what these wars meant and mean still for England.

Unfortunately, it is very difficult to reach any very close estimate of their net cost; more difficult still to say what the exact burdens were which they imposed upon the people. A great change in the mode of keeping the national accounts was made in 1801. Till then the net revenue only was taken account of, the cost of collecting it being left out. One cannot, therefore, make just comparisons of the yield of taxes at the beginning of the war and at its close. The period at which the annual accounts were made up was also changed from the 10th of October to the 5th of January, introducing another element of some confusion; while throughout part of the same period the accounts of Ireland were made up to 25th March in each year. One or two things, however, can be stated, and, following the example of Sir John Sinclair, I subjoin a table that will give some notion of what these wars implied up to the year 1816:—

Naval and military expenditure of Great Britain for the 8¼ years ended 5th January 1801 .	£217,250,000
Do. for the 15 years ended 5th January 1816 .	651,208,000
Military expenditure of Ireland for the 7¾ years ended 5th January 1801 . . .	20,809,000
Carry forward .	£889,267,000

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Brought forward .		£889,267,000
Military expenditure of Ireland for the 15 years ended 5th January 1816 . . .		54,288,000
Total naval and military expenditure of the United Kingdom for the whole period of the revolutionary wars with France . . .		£943,555,000

To arrive at what may be called the net cost of these wars, it is necessary to deduct from the above total what may be described as the ordinary peace charges under these heads, and to make the comparisons the fairer I have taken the average of these charges for the seven years preceding 1783. This I find to be—£5,142,000 in the case of Great Britain, and £603,000 in the case of Ireland. This gives—

Total naval and military expenditure of Great Britain on a peace footing for 23¼ years to 5th January 1816, at £5,142,000 per annum	£119,550,000	
Do. of Ireland for 22¾ years to the same date, at £603,000 per annum	13,720,000	
Total		133,270,000
Net excess outlay on account of these wars [1] .		£810,285,000

But this is not nearly all the story. We have to take into account the enormously increased charges of the public debt created by these wars. It is true that these charges continue in great part to the present hour, so that we might therefore be said to have paid at least a further £1,500,000,000 or so on this score if strict reckoning be to be made, and that in introducing this element into the calculation I am producing con-

[1] See supplementary note at the end of the book, where the official estimate of the cost of these wars is given, along with that of all our wars down to 1868.

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fusion. To this, however, I cannot agree. In dealing with what the then generation had to bear, the debt charges involved in these gigantic war loans form a most important item. They came, I find, to £270,000,000 over and above what they would have been if the debt and its annual cost had remained the same for the whole twenty-three years. Adding this to the total above given, we find that these wars cost the nation £1,080,000 in round figures up to the beginning of 1816.

A much more difficult question to settle is the proportion of this inconceivable expenditure borne by taxation. The difference between the debt total at the beginning of the wars and at their close is £618,376,000, and if we deduct that from the grand total given above, we have a balance of £462,000,000 or so as the portion met by current taxation. This total, however, is entirely misleading, for reasons already dwelt upon. Before we could say what the true proportion is, we must know the actual amount of cash obtained by the successive issues of stock, and that is just what cannot be exactly reached. We know, however, that the average market price of the 3 per cent consols during the twenty-three years of the war ending with 1815 was below rather than above 65, and as upwards of £400,000,000 was added to the national debt in the shape of 3 per cents between 1793 and 1815, it is more than a generous estimate to take £140,000,000 as representing the "discounts" allowed to the debt subscribers on that amount. In other words, the Government received only about £260,000,000 in cash for the £400,000,000, and if we add the balance to the £462,000,000 shown above we obtain, say in round figures, £600,000,000, as the portion of the huge

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war costs paid out of current revenues. But even this is but a rough approximation to the truth, as the whole subject is obscured both by the sinking fund operations and by the depreciation of the currency. The sinking fund involved the constant issue of new stock to replace the stock bought and cancelled by the imaginary "compound interest" process, and the extent to which this confusing element worked may be judged by the fact that up to the end of the financial year ended 5th January 1816 more than £250,000,000 of stock had been thus bought in. On these operations there was a percentage of loss which cannot be fully estimated. On one part of this question, however—the effect of the sinking fund operations, to wit—it may be well to quote here the observations of Porter in his *Progress of the Nation*, especially as he gives a lower average price of the debt than I, following the quotations summarised in *Fenn on the Funds*, have felt warranted in assuming. He writes—"The average rate at which 3 per cent stock was created between 1793 and 1801 was £57 : 7 : 6 of money for £100 stock, and the average market price during that period was £61 : 17 : 6 for £100 stock. The loss to the public upon the additional sum borrowed in order that it might be redeemed during that period, which was £49,655,531, amounted to 4½ per cent, or £2,234,500. Between 1803 and the termination of the war the average price at which loans were contracted was £60 : 7 : 6 per £100 stock, and the average market price during that time was £62 : 17 : 6 per £100. The loss was therefore 2½ per cent on the sum redeemed during that time, £176,173,240 or £4,404,331, making altogether an amount of £6,638,831 absolutely

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lost to the public by these operations. This amount, reckoned at the average price of the various loans, is equivalent to a capital of more than eleven millions of 3 per cent stock with which the country is now additionally burdened, through the measure of borrowing in a depressed market more money than was wanted, in order to its being repaid when the market for public securities was certain to be higher."[1] It will thus be seen that my estimate of the gross loss entailed on the nation by loans and sinking fund follies together is a very moderate one.

Still more explicit is the statement of Mr. H. W. Chisholm in Appendix No. 13 of the Blue Book of 1869 devoted to the record of the national income and expenditure, and with this I must close the references to this matter. "During the whole period," he says—*i.e.* from 5th January 1793, when the French war broke out, and up to 1829, when the sinking fund folly was stopped—"there was only one year in which money was not raised by loan to aid the sinking fund, besides what was required for war expenditure. After excluding the period from 5th August 1786 to 5th January 1793, during which £8,147,631 was applied to redeem £10,241,100 of 3 per cent stock, bearing interest of £307,263 per annum, there remains £321,902,824, which was applied between 1793 and 1829 to redeem £472,942,703 capital stock, carrying £14,488,388 annual interest, the mean rate on the sum paid being almost exactly 4½ per cent per annum. During the same period the total sum of £702,163,075 was raised by loans, for which £1,052,536,700 capital stock of funded debt was created, carrying

[1] *Progress of the Nation*, p. 485.

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£35,301,392 annual interest, or a mean rate of £5 : 0 : 6 per cent. The actual result of all those sinking fund operations, therefore, was that the total amount of £330,050,455 was raised at £5 : 0 : 6 per cent to pay off debt carrying interest at 4½ per cent. The difference between these two rates is 10s. 6d. per cent per annum, amounting upon the total capital sum of £330,050,455 to £1,627,765 per annum, which may be set down on the increased annual charge of our funded debt, and a real loss to the public from the deceptive sinking fund system, without taking into account the expense of management of the sinking fund, and the increased amount of capital of debt consequent upon the practice of borrowing on less advantageous terms for larger sums than were required to meet the actual public expenditure." Such is, as near as can be estimated, the net result of this precious institution. This calculation gives, in round figures, about £57,000,000 as the total additional charge involved in the 35 years by this sinking fund. For the 23 years of the war it would therefore be a moderate estimate to place this interest loss and the capital loss estimated by Porter as above at £30,000,000, which would fall to be added in a sense, if not to the cost of the war, at least to the proportion of current expenditure borne by taxation.

Dealing still further with the question of the actual portion of the cost of these wars defrayed from current income, and working from the figures of the Parliamentary return of 1858, I find that the 5 per cent debt was augmented by about £129,000,000 during the war, and the 4 per cent debt by about £45,000,000, and

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these were likewise at a greater or less discount for part of that time, involving a certain loss to the nation on the amounts received. That is, the Exchequer did not always or very often get, even in the case of these high interest-bearing loans, £100 in cash for the £100 it promised to pay, and the difference would have to be deducted from that portion of the war charges borne by loan and added to that paid for out of taxes. Taking all these things into account, as well as the losses incurred through the extravagant terms on which annuities for fixed dates were granted, there is little doubt that the gross amount paid for these wars, and their accompanying financial absurdities, from current revenue, must have been at least £650,000,000, or about £28,000,000 per annum.

This accords on the whole with the facts as to taxation. Thus Porter states that the duties and taxes imposed between 1801 and 1811 amounted to £28,597,600 a year, and between 1801 and 1821 the total was £35,189,000 a year. Progressing as the nation undoubtedly was in both wealth and population, this enormous strain crippled it to an incalculable extent, and brought extreme wretchedness and want home to the great mass of the people. This is proved by the yield of the taxes themselves, as well as by the general condition of the people. It is calculated by Porter, for example, that these taxes yielded in 1821 £8,811,000 less than they would have done had the well-being of the people grown at the same rate as their numbers, and it took ten years more to restore the body politic from its exhaustion.

One is indeed amazed at the patience with which

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the people bore their unheard-of loads, although it is partly explained by the fact that the greater part of the taxes were collected from those who had no share in directing the policy of the Government. The people were not possessed of true representative government. Had they been, we are disposed to think that, their bloodthirstiness notwithstanding, the fiscal legislation of the period would have been somewhat different. As it was, Mr. Pitt continued the policy of his predecessors with small exception, and laid the weight of taxation on those who had least power to make complaint. Considering the passions and political inequalities of the times, therefore, it is not surprising that, as Mr. Leoni Levi well observes, "Alike for extravagances and for wastefulness in the manner the supplies were procured, the financial administration of that period is in the highest degree indefensible."[1] By the end of the century evils of all kinds were piled on the top of one another to harass the passion-blinded, weary nation. A series of deficient harvests began in 1795, and owing to them, to the depreciation of the paper currency, and to the disastrous working of the Corn Laws, the average prices of wheat rose in 1801 to 115s. 11d. per quarter. The year before the average was 110s. 5d., and only six years previously it had been but 50s. 8d. Specie was drained from the country, and the Bank of England stood in such danger of becoming bankrupt that in 1797 the Government had, as a temporary measure, to authorise it to refuse gold for its notes. These became a forced paper currency, which circulated at a discount, and the measure was renewed from time to time until

[1] *History of British Commerce*, p. 92.

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1819. Not till four years later did the Bank fully resume a solvent position in regard to its notes. In his great straits for money, all other means afforded by customs, excise, stamps, licences, and the like being exhausted, Mr. Pitt was driven in 1798 to impose the income-tax. In the first form of it, tried the year before, this tax was called "a triple assessment," and implied merely the levy of a threefold amount of assessed taxes up to 10 per cent of the income of all persons liable to assessments. All assessable, or practically all "fixed," incomes of £60 and upwards were subject to this tax. Thus, a person with an assessable income of £60 paid £6, and one with an income of £1000 paid £100. At the present day we grumble if the income-tax rises to 2½ per cent on the income, and consider it advisable to let incomes far above £60 go tax-free. Allowing for the average greater efficiency of money in those days, this tax was onerous to a degree scarcely to be realised. It was calculated to yield £7,000,000, in its first form of an addition to the ordinary assessed taxes, and the sum was sorely needed, for the estimates of that year, 1797, were £19,000,000 short of the public requirements. All the revenue except £6,500,000 was absorbed by the debt charges. But this mode of taxing the richer people—the people with official salaries, annuitants, rent-receivers, and the like—was too unpopular to endure, nor was its result satisfactory. Instead of seven millions it yielded no more than four and a half; and in December of the following year a direct income-tax of 10 per cent leviable upon earnings and receipts of all kinds, as in the present day, took its place. This percentage was to be levied on incomes of £200 and upwards, and diminishing rates were placed upon smaller

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incomes down to £60, below which there was to be no assessment. Mr. Pitt looked for £10,000,000 from this tax, but it yielded only £7,000,000 at the best. His calculation was that the entire taxable income of Great Britain at that day was no more than £102,000,000, but he had either over-estimated the public wealth or the tax was much evaded, for in his budget for 1801 he did not venture to estimate the produce of the tax at more than £6,000,000. The people were very restive under it, and when hostilities were, for a brief space, suspended in 1802, the tax was removed. Directly the war broke out again, however, the tax was reimposed, at first as a 5 per cent charge, then as a 6½ per cent charge, and finally, in 1806, again as a 10 per cent charge; but it was always treated as a war-tax, to be tolerated only while hostilities continued.

By the year 1802, through one means and another, the gross revenue of the United Kingdom was raised to £39,000,000, and of this the income-tax, which applied to Great Britain alone, supplied £5,805,000. Excise yielded more than £11,500,000 for Great Britain alone, and customs somewhat under £9,000,000. The declared value of the export and import trade of Great Britain for that year was only £45,000,000. The customs duties represented, therefore, nearly 20 per cent on the year's declared value of that trade; and as the population was rather under 11,000,000, customs and excise together meant a burden upon the people of very nearly £2 per head. No wonder that, under such a load, commerce languished. The following year the excise revenue was screwed up to £15,475,000, but that from customs fell off to £7,700,000. Smuggling and illicit distillation of spirits demoralised whole sec-

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tions of the community, and involved great additions to the cost of collecting and maintaining these revenues. Owing to the change introduced into the public accounts at the beginning of the century, by which the gross revenue and expenditure, and not the net, is given, a comparison of the taxes at the latter period of the war cannot be made with the first; but we can compare the first financial year of the century with 1816, and will find the comparison not without instruction. The figures of the following table are, as near as possible, those for Great Britain alone, and the total of £39,000,000 given above as the revenue of 1802 is made up by adding £3,000,000 odd, which was the gross revenue of Ireland. The Irish Exchequer was not consolidated with that of Great Britain till the beginning of 1817.

PUBLIC INCOME.

Heads of Income.	Year ended 5th January 1802.	Year ended 5th January 1816.
Customs	£8,775,728	£11,952,242
Excise	11,573,427	26,204,061
Stamps	3,034,517	6,083,629
Land and assessed taxes, duties on pensions and offices, and on personal estates, *i.e.* probate and legacy duties	4,638,857	9,503,758
Income and property tax . .	5,804,516	14,617,968
Post Office	1,172,241	2,130,267
Crown lands (net)	967	864
Miscellaneous [1]	988,281	8,121,012 [2]
	£35,899,535	£78,613,803

[1] Includes such items as first fruits and tenths, small hereditary revenues, fees, profit on copper coinage £37,000, proceeds of corn sold for use of Government £686,250, profit on lottery loans, etc.

[2] The miscellaneous item is swollen unusually this year by such

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This, surely, is a highly instructive table, and it becomes more so when we remember that the year ended 5th January 1816 was the third year running that the gross revenue had ranged about £70,000,000. Deducting merely the amounts charged each year to Ireland, and the proceeds of sales of old stores, we find that in the year ended 5th January 1812 Great Britain raised, almost exclusively from taxation, £65,612,443; for the following year the gross income was, on the same computation, £64,230,506; but in the year ended 5th January 1814 it rose to the unprecedented total of £68,249,808; and for the succeeding year it was £70,943,000. Equally remarkable, all things considered, was the progress of the revenue of Ireland, which for the year ended 5th January 1802 was only £3,204,000; while for that ended 5th January 1816 it was screwed up to £6,604,000, or more than double. To some extent these unprecedented results were brought about through an increase of population; but, after all, that accounted for little. Between 1801, the date of the first census, and 1811, the date of the second, the population of Great Britain increased only 15·11 per cent; and it was therefore, at that rate of

sums as these:—£6,017,987 on account of the balance due from Ireland towards 2-17ths of the joint expenditure of the United Kingdom; £758,976 from the sale of old naval and victualling stores; £28,585 on account of interest, etc., of the Portuguese loan; and £925,667, proceeds of the lotteries of 1814 and 1815, less £137,833 remitted to Ireland, and included in her income. Deducting the two first items from the total given above, we get £71,836,840 as the real gross revenue of Great Britain for the year, exclusive of capital raised by the creation of debt or the sale of old stores.

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progress, only about 22 per cent greater in 1815 than at the beginning of the century. But, in truth, such gigantic figures can be explained only by the endurance and self-sacrifice of the nation, and the grinding completeness of the taxation, which touched the citizens at every point. The customs tariff alone was the severest ever known, containing more than 1400 different items, and in many respects framed on principles of revenge and hatred, as in the case of the differentiating wine duties aimed against France, or so as to maintain pernicious monopolies, such as those of the silk and linen trade, rather than for purposes of revenue. But then, as now, the most prolific source of income from customs and excise was drink, and the materials used to manufacture drink. Malt alone, for instance, contributed on an average about £5,000,000 per annum to the revenue between 1804 and 1815 inclusive. The duty for that period was raised to 4s. 5¾d. per bushel, it having been but 1s. 4¼d. at the outbreak of the war. It was first raised to 2s. 5d. in 1802, and the following year an extra war-duty was put on, which made it 4s. 5¾d. Beer duties and licences added to the cost of the liquor consumed by the people, and made an impost of this kind all the more irksome. Home-made spirits, again, were taxed less for most of this period than they are at the present day; but though that was so, the duties paid during the latter part of the war were much higher than they had been at its commencement. In 1802 the duty in England was 5s. 4¼d. and 6-19ths the gallon; two years later the duty was raised to a fraction over 8s. 0½d.; and in 1811 it became 10s. 3¾d. and 7-19ths, at which it stood till after the war was over. From this source the excise revenue was

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augmented by between four and five millions for the United Kingdom in the latter years of the war.

The only other article that need be mentioned in this connection is wine, on which various degrees of duty were levied, according to the source from whence it came—France naturally suffering most in this respect. At the outbreak of the war the duty on French wine was 4s. 10d. per gallon; and in 1804 it was 13s. 9d., having risen by successive stages to that height. On the wines of most other countries, except the Rhine provinces, the advance had been from 3s. 1¾d. to 9s. 1d. in the same period. Rhine wine paid nearly as much as French. The revenue from these taxes—most vexatious to administer—increased from rather less than £900,000 in 1794 to £2,814,000 in 1804, from which date the yield fell off, the duties being, indeed, to a large extent measures of revenge.

Turning to other sources of revenue, sugar may be instanced as paying duties ranging from 20s. to 39s. per cwt. throughout the first fifteen years of the century. They yielded an income of between two and four millions sterling per annum; falling off, however, in the last ten years of the period, when the duties were highest. The tax was, in fact, so seriously checking consumption that it was less by half a million cwts. in 1814 than in 1810. Salt was another subject of taxation of the cruellest description. Duties upon this necessity amounted in 1798 to 5s. per bushel; but subsequently, according to M'Culloch, from whom I obtain most of these particulars, they were raised to 15s. per bushel, or about thirty times the cost of the salt. At their highest these duties yielded no more

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than £1,500,000 a year, and their unprolific character was due both to their weight and to the regulations under which they were levied. They formed a premium on smuggling. Heavy duties were likewise imposed upon timber, and from 1809 on European timber in particular. In that year the timber imported from our Canadian possessions was freed from duty in response to the jealous feelings of the period, while at the same time large additions were made to the duties on timber brought from the North of Europe. Next year these duties were doubled, and in 1813 yet another 25 per cent was added to them. The effect of this mad conduct was to reduce our import of Baltic timber from 428,000 loads in 1809 to 242,000 loads in 1814. The blow thus administered to that trade was not recovered from as late as 1843.

Tobacco was also an article subjected in those days to vexatiously differentiated duties. American kinds paid 1s. 3d. per pound down to 1796, when the duty became 1s. 7d.; and small additions were made to it down to 1815, when it was fixed at 3s. 2d. Spanish and Portuguese tobacco, however, or rather the tobacco grown in the colonial possessions of these States, paid 3s. 6d. down to 1796, when another 1s. was added, and in 1815 the duty became 5s. 5½d. From this source the net revenue of Great Britain ranged between £924,000 in 1801, and £1,764,000 in 1815. Up to 1804 the Irish duties were levied in Irish currency, which was of less value than the English, and they were on a lower scale for the earlier part of the war period. In 1805, however, the currency was made the same in both instances, and from 1815 the duties were made uniform so far as American tobacco was concerned.

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The Irish net revenue from tobacco in that year was £740,000, having been only about half that amount in the earlier years of the century.

Regarding tea I have no particulars to give beyond the fact that the duty then and for years afterwards was an *ad valorem* one of 96 and 100 per cent according to value, and therefore nearly prohibitory; but there is one other important branch of the public burdens, if not revenue, to which I must ask the reader to return for a moment before taking leave of this part of the subject.

These are the duties which clogged our manufacturing industries at a time when the ingenuity and enterprise of those engaged in them were rapidly putting them in a position to command the trade of the world. Our cotton, woollen, and silk industries were all in this way seriously retarded in their development. The import duty on the raw cotton was 6 per cent *ad valorem*, and in addition a duty of 3½d. per yard was levied on printed calicoes down to 1831. Then the latter was abolished; but the former, although on a reduced scale, lasted down to 1845. Wool, as has been already noted, was always a favourite object of the fostering care of our rulers, and during these wars it suffered from their attentions more severely than cotton, being an article out of which our landowners and farmers made rents and profits. For nearly two hundred years, down to 1825, the exportation of home-grown wool was prohibited, for fear that other countries might profit by it to injure our manufactures; but up to 1802 the importation of foreign wool had been free. In that year, however, it was subjected to an import duty of 5s. 3d. per cwt.; in 1813 the duty was raised to 6s. 8d.; and in 1819, still, we

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may justly say, in consequence of these wars and of the folly of our financiers, it was placed at 56s. per cwt., or 6d. per pound. The supply of home-grown wool had become insufficient for our wants; nevertheless, home agriculture was in danger, and the nation in need, so the tax grew.

Silk, on the other hand, was nursed as a monopoly in the interest of the mills for producing "thrown" silk, erected first at Derby, and subsequently in other parts of England, on models stolen from Italy. Enormous duties were placed in 1765 on foreign thrown silks, and continued down to 1825, to the great hurt of our silk-weaving trade. With a duty of 5s. 6d. per pound on raw silk, of 14s. 8d. on thrown silk, and of 45s. 6d. on dyed silks, the wonder is that the trade continued to exist in any shape. But an industry, as well as a nation, can suffer much and survive if those who pursue it make up their minds to go hungry.

Alone amongst our manufactures, that of linen may, however, be said to have received exceptional favours, it being down to 1833, when they finally ceased, the recipient of considerable bounties out of the national revenue. These bounties date as far back as the settlement of Dutch William's French Huguenot supporters in Ireland, and bounties in linen manufacture figure as a regular part of the Irish expenditure throughout last century. Other industries, such as calico weaving, no doubt got huge indirect bounties in the shape of drawbacks on exportation, but these were more or less disguised, whereas that paid to the linen manufacturers amounted in the year 1825 to as much as £416,000.

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I might give further illustrations of the state of taxation during the time of the Revolutionary wars, but enough has been said to enable the reader to form some conception of the point at which the nation then stood, and space forbids a catalogue of all the taxes and duties. In a summary way they may be said to have choked industry, drained the country of wealth, and directly or indirectly forced from the hands of the toilers between one-third and one-half of their total earnings in the first fifteen years of the century. Under pressure of the misery this drain involved marriages decreased, and the weight of pauperism became almost unbearable. Between 1776 and 1801 the cost of poor relief increased by 162 per cent, and the weight of this burden alone continued to increase, without perceptible intermission, till 1818, when it amounted to nearly £8,000,000 in England and Wales alone, or to more than 15s. per head. In 1811 the average expenditure was 13s. 1d. per head; but in Sussex it was as high as 32s., in Bucks 24s. 2d., in Berks 27s. 2d., and in Essex 24s. 8d. The purely agricultural counties were, in fact, reduced to the condition of pauper nurseries. No European country, not even excepting France, lived through a darker or more disastrous time than that was for England. Wages were at starvation point throughout that period in nearly every trade in the country, and those who contrived to do without poor relief were often worse off than its recipients.

One other subject must be touched upon as illustrative of the state of the nation, and before anything like a true outline of that now far-off time can be said to be before the reader. I refer to the Corn Laws,

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which continued to be a very bitter subject of conflict between the people and their rulers then and for many years thereafter. The landowners and farmers were never satisfied with the profits they drew from the tillage of the soil. With good harvests they ruined themselves by extravagance, or were ruined by unduly low prices; and with poor ones they starved the people. Legislative changes having for object the strengthening of their position by the steadying of prices, and the uniform filling of agricultural pockets, were therefore very frequent. The last of these, already noticed, was the law of 1791. This continued in force down to 1804, but long before that date the classes interested were loud in their complaints. A change was hastened by the collapse which succeeded the inflation years at the beginning of the century, produced by the combined influences of bad harvests and a depreciated currency. The high prices of 1800 and 1801 had extended cultivation unduly, and when in the three succeeding years, through over-production and better harvests, the average price fell to about half what had then ruled, many soils became unprofitable to work. So a new law was passed in 1804 imposing a prohibitory duty on corn amounting to 24s. 3d. per quarter when its price was at or below 63s. Between 63s. and 66s. a duty of 2s. 6d. per quarter was imposed, and above 66s. a duty of 6d. These changes, as will be seen by comparing them with the law of 1791, gave some concessions to the people at the upper end of the scale, but involved increased protection to the home market when prices were tending downwards. Bounties also continued to be allowed on exportation when prices were

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low; thus alone could ruin be averted in the estimation of the landlords of those days. But the price at which the bounty became payable was raised from 46s. per quarter to 50s., and exportation without bounty was allowed up to a price of 54s. The result of these and of all such laws was enormous fluctuations in prices and wide alternations of misery and abundance. Changes for the better began, however, to show themselves in succeeding years. In 1806 all restrictions as between England and Ireland were swept away; and owing to a run of very high prices, Parliament, in 1815, was brought to decree the total abolition of the bounty system on corn exported, although it retained and elaborated the preposterous "sliding scale" duties on imports, raising, however, and as soon was proved with disastrous effect, the price at which grain could be imported free to 80s. per quarter in the case of wheat, and to lower proportionate prices in the case of other cereals. This law, bad as it was, lasted ten years.

Fiscal laws like these show the high-water mark of a reactionary policy in taxation and trade. It is a point that probably would never have been reached but for the upheavals and conflicts of that revolutionary epoch, and it says much for the patience of the English people that they bore their burdens so uncomplainingly. By these and suchlike taxes life must have been made well-nigh unbearable to the great bulk of the population of the United Kingdom. The poor man's bread was dear, no matter what the price of wheat fell to, for taxes stole all; pauperism increased, and bore with augmented weight on those still able to hold their heads above water; crime was rampant, especially crimes

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originating in want or in efforts to defraud the revenue; and amid all this a small section of the nation flared forth in ever-increasing displays of wealth. The few profited by the lavish expenditure, by the constant emission of loans, whereby the labour of the nation was mortgaged to those few and to future generations. The rich and the classes that bore the lightest share of the taxation went merrily on, but from the reaction that followed immediately on the heels of the peace we may infer that even stolid English patience was nearly exhausted, as English resources certainly were, in 1815. We had furnished Europe with the means of making war, in addition to making it on the most extravagant scale ourselves, and now had to pay the spendthrift's usual penalty.

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CHAPTER IV.

THE REFORM ERA AND OUR FINANCIAL HISTORY DOWN TO THE PRESENT TIME.

NATURALLY the first thing the nation expected when peace was at last secured was an immediate reduction in the national expenditure; but that was by no means the intention of its rulers, even had it been in their power. Castlereagh came home from hobnobbing with autocrats full of autocratic ideas, and spoke of an army of 150,000 men as the proper peace footing. But the minister had, in part at least, to give up ambitious dreams and attempt to reduce expenditure. It was not, however, the burdens of the poor that were first lightened. The first tax that went was Pitt's property and income tax, at the time of its abolition in 1815 bringing in over £14,000,000 per annum at its then rate of 10 per cent. In the following year the war malt-duty of 2s. 0¾d. also went by the board; and these two remissions, both of which were made primarily in the interest of the ruling classes, although the latter to some extent benefited the drinkers of beer, left such a yawning deficit that the ministers had perforce to stop further remissions; nay,

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they, so far as malt was concerned, retraced their steps partially three years later, adding 50 per cent to the then duty—making it 3s. 7½d. instead of 2s. 5d., to which it had been reduced. Without following the history of these years in minute detail, it may be said that down, at the earliest, to 1825 the fiscal policy of this country in all that related to the true principles of taxation and the freedom of trade was, for the most part, reactionary. There were enlightened men in the Government now and then, but they were unheeded by their stupid or lazy colleagues, and unsupported by an enlightened public opinion. Of these men the most notable were Mr. Huskisson, Mr. Wallace, and Mr. Goulburn. The last-named, when he held the office of Chancellor of the Exchequer under the Duke of Wellington, succeeded in 1829 in putting a period to the extravagances and waste of the "sinking fund," and his voice was ever on the side of financial reform. Mr. Huskisson also did a good deal, for the time, to lessen the duties on many articles of import while at the Board of Trade in 1825. But all that these or any one did, either in the way of lightening and readjusting taxation or in reducing expenditure, was of little consequence compared with the great reforms by which Sir Robert Peel and those who supported him changed for ever, let us hope, the tendency and object of our revenue laws. Mr. Goulburn might be a free trader in 1829, and Mr. Poulett Thomson in 1834, but the nation was not so; and they and such men with them had to wait till it had learned wisdom by the things which it suffered. Notwithstanding the constant alternations of misery and plethora to which the Corn Laws of 1815 and 1828 subjected pro-

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ducers and people, the sliding scale on which these laws were framed was not got rid of, nor the Corn Laws abolished, till the Irish famine of 1846-47 and the dread of troubles all over the kingdom frightened the landlords, and gave Sir Robert Peel the necessary courage. Parliament would have nothing to say to a reduction of the discriminating duties on foreign timber; coal bore down to 1846 its export duty of 4s. per ton; the duties on sugar and tobacco were but slightly reduced; that on wool was enormously increased in 1819, so was that on coffee, and although both were subsequently tentatively reduced by Mr. Huskisson and others, they were still heavy when Sir Robert Peel came into power, for the second time, in 1841. There were indeed few articles of any importance absolutely removed from the tariff before his day; and the changes, liberal as they in one or two instances had been, were mere heralds, as it were, of a better time. The object of this little work will therefore be best secured if the reader's attention be now directed to the legislation of Sir Robert Peel; but before taking up that subject it is necessary to trace briefly the progress of the income, expenditure, and debt from the close of the war downwards to 1840.

For the year ended 5th January 1817—the first year of peace—the revenue of the United Kingdom was £69,266,000, or about £10,000,000 less than in the previous year; and the expenditure, exclusive of debt manipulations, £71,600,000. There was consequently a deficit of £2,334,000 for that year. Next year the revenue fell off almost £12,000,000, as the full effect of the remission of the income and property tax and the reduction in the malt-duty were then first felt, and

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there was again a deficit, although the charges for the army and navy had been brought down to £15,705,000. Between debt and these military charges, however, about £47,000,000 of the total income of £57,600,000 was taken up, and as the civil charges were steadily increasing, deficits were not to be wondered at. They continued, indeed, for years after this, for the charges of the army and navy again began to mount, and the debt charges also, as was inevitable, the refunding and other operations notwithstanding, while new debt was being contracted. In 1820 these two items took £48,740,000 of a gross revenue of barely £60,000,000, or, deducting cost of collection, of only about £55,000,000. So the malt-duty had to be raised again, and the nation staggered on with its load as best it could. Pressure of falling revenue, however, brought down the military and naval charges somewhat within the next few years, and in the year ended 5th January 1824 they fell to £14,353,000—the lowest point touched since the end of the war. That year the gross revenue was £58,625,000, but the free income, after paying debt charges £30,031,000, cost of collection £4,511,000, and these military expenses, was still only about £10,000,000. Sixty years before the total net income of the three kingdoms had barely attained this last sum. In the interval, while the population had perhaps nearly doubled, the taxation had increased almost fivefold, and it was taxation borne much more by the poorer masses of the people than it had been in 1765, although it was unequal enough even then.

One cause of the prodigious weight of the military charge of that time was the amount distributed in the

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shape of half-pay and pensions paid to officers and men for various reasons—long service, wounds, meritorious actions, etc., besides compassionate allowances to widows and children of those who had been slain. At the close of the war these charges amounted to £3,398,805, exclusive of £221,752 of civil superannuations, and by 1823 the total had risen to £4,965,114, also exclusive of £343,871 for civil pensions. So onerous was this burden that an attempt was made to throw part of its weight on posterity by converting it into an annuity of £2,800,000 for 45 years; but this scheme, happily, was never fully carried out. The Government only managed to sell an annuity of £585,740 to the Bank of England, for which that institution gave £13,089,419 in payments spread over six years. A system of life annuities, however, had been started in 1808, and extended in subsequent years, by which the nation lost much money. They were designed, as Mr. Gladstone's modern annuities for fixed dates are, to facilitate the reduction of the capital of the debt. Stock was made receivable by the Commissioners for the reduction of the national debt in payment of annuities granted by them on one or two lives; but the tables on which these annuities were calculated were so erroneous, that as Mr. Finlaison, the Government actuary, calculated in 1827 the loss to the country was at the rate of £8000 per week. Up to January of that year he computed the total loss at £2,233,066, and said that the ultimate loss on the annuities in force would be £24,039,324, equal to £32,052,432 in 3 per cent stock. No wonder that this system was discontinued in the following year. Up to the date of the discontinuance,

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only £11,630,000 of stock had by this means been cancelled, bearing £363,273 in annual interest, while the annuities actually in force in the beginning of 1829 came to £418,023.

The figures of income and expenditure continued much about the level given above for some years, and until Mr. Goulburn became Chancellor of the Exchequer in 1828, except that the military charges again rose to more than £16,000,000, pensions continuing a very heavy proportion. He effected substantial savings in this department; and more still was accomplished by his two immediate successors—Lord Althorp and Sir Robert Peel, the latter his own Chancellor of the Exchequer in the Tory Ministry of December 1834, of which he was head. In 1835 the naval and military charges were brought down to the lowest point since the war, being only £11,730,000, of which about £2,895,000 was for pensions and superannuation allowances. Lord Althorp, however, did one bad thing; he abolished the house-duty—save the land-tax, the only direct tax left of much importance—and retained the window-tax, though in a slightly modified form, the windows of small farm-houses being exempted. But in spite of patching here a bit and there a bit, in spite of small economies and the shifting of the burdens of the then generation on to the shoulders of its successor by the creation of terminable and life annuities, deficits again appeared. Hard times, dull trade, bad harvests, and abominable navigation laws, by which our merchant shipping was being driven from the seas, just as by similar laws the, at one time, flourishing mercantile marine of the United States has been in recent years,

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caused the revenue to shrink. Remissions did not go far enough to unfetter industries or give elasticity to the consuming power of the people. Reduced taxes and economies did not go hand in hand. Thus in the year ended 5th January 1836, with a gross income of little more than £50,000,000, the net debt charges were still £28,619,000, and the naval and military charges £11,657,000. Deducting £3,684,000 for the cost of collecting the revenue, we get but £6,000,000 left to meet the charges of the civil list, Court pensions, salaries, etc., amounting in all that year to upwards of £8,000,000. In this and the succeeding two years the country, moreover, had its burdens further increased by the payment of £21,000,000 as compensation to our colonial slave-owners for the abolition of slavery. As this money had to be borrowed, the national debt charge at once rose again to over £29,500,000; and although the revenue was also a little improved, deficits continued. Driven desperate, the Whig Ministry in 1840 carried proposals to increase by 5 per cent most of the excise and customs duties. and by 10 per cent the assessed taxes. These additions yielded little additional revenue, and what they did yield was more than counterbalanced by the decline in the income of the post-office. Sir Rowland Hill's penny postage was adopted in 1839, and came into operation next year. At first so great a change naturally involved loss, and for this loss the Government had made no adequate provision. The country was weary and in a manner exhausted. Many troubles and hopes blasted had made it ripe for more sweeping fiscal changes than the Whigs could make up their minds to carry. In 1842, therefore, Sir Robert Peel got at length his opportunity.

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He had before him no ordinary task. According to the accounts summarised in the blue book of 1869, the three years preceding that ending on 5th January 1842 had brought an aggregate deficit of more than £5,000,000; the debt charges had risen fully £1,200,000 from the lowest figures of the previous decade, and there were likewise serious increases in the military expenditure, in consequence of the insurrection in Canada and the China War. They were £15,240,000 for that year as compared with the £11,657,000 to which they had been reduced in 1835. Yet the nation clamoured for lower taxation, for a complete revision of the tariff, and greater freedom of trade; the Corn Laws agitation led by Mr. Cobden and Mr. Bright had begun to take hold upon the great industrial centres of the North, and must soon leave its mark on the laws of the land. But how was Sir Robert Peel to be the man to carry out the necessary reforms?

One part of his task was simple enough. There were in the customs tariff a number of prohibitions or duties so high as to be prohibitory. Many, or as M'Culloch has it, hundreds of other articles yielded so little that it was not worth the cost of collection. These he might sweep away without much opposition from anybody; and of the twelve hundred odd items still in the tariff at that date he did, in the course of four years, thus deal with a great number. Some things, however, such as the duties on live cattle and fresh provisions, touched interests long accustomed to dominate; but he triumphed. Between 1842 and 1846 he repealed altogether the duties upon between five and six hundred articles, including raw cotton, flax, hemp, hides, indigo, sundry

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oils, raw silk, sago, cattle, sheep, hogs, beef, and bacon, and reduced the duties on a great number more. With all this there remained a tariff of nearly one thousand items. Sir Robert Peel's greatest difficulty, however, was not with this side of his task. He had a large deficit to cover, as revenue and expenditure stood before he began; and it seemed, therefore, a piece of wanton foolishness to remit taxes at the very time when taxes needed to be put on. There was but one way of meeting the difficulty short of a direct increase in the land-tax, which was an impossibility. Sir Robert Peel decided to reimpose the income and property tax abolished in 1815, not as a war-tax, but in order to fill the gap in the revenue, and afford a means of reforming the obsolete and obstructive customs tariff. In this he was opposed by the Whigs, led by Lord John Russell; but after some debate his proposals were carried, and the spring of 1842 saw the first great step in the fiscal reform that has since been carried so far. How greatly that reform was needed will be understood when we state that the reduction or abolition of duties on 750 articles only involved a loss of revenue to the estimated amount of about £1,600,000. It was not, however, from their importance as sources of revenue that the reduction or repeal of these taxes was significant, but because the fiscal policy of these four years was the beginning of a new era. Henceforth taxes were to be maintained for purposes of revenue alone. The death-knell of monopolies had been struck. I do not mean to say that the spirit of monopolies was then and there slain. Far from it; that spirit exists still, and promises to continue to exist for many a day to come.

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The struggle was indeed but beginning, but the first victory was scored for progress, and everything else was, and is, only a matter of time.

It has been among other things a common subject for regret that the new property and income tax was conceived in the unfair spirit of the old. It was, and is beyond doubt, an injustice to assess the casual salary, the professional income, the holder of a terminable annuity, and the recipient of a permanent income from the funds or from land all on the same lines, and the exemption of small incomes then and since made on varying scales by no means removes this essential injustice. It must, however, be recognised that but for this inequality of treatment the tax might never have been reimposed at all. Neither Whigs nor Tories liked it. Lord John Russell was not ashamed to raise the pitiful cry against it, that other nations would think the tax a sign of our decadence, and had it been imposed equitably on the rich alone, the rich of both parties would have coalesced to defeat it. The unequal incidence of the tax smoothed the way to its re-adoption, and by its help we have secured the reforms through which our trade has been emancipated. That should make us willing to forgive much. Theoretically a tax of this kind ought to fall only on realised wealth or secured incomes, and if it were possible to distinguish between the various classes of that wealth it should press most heavily on the class most assured. Practically, however, taxation on such lines is impossible in any civilised country, and statesmen can only deal with what is practical. If it was impossible for Peel to increase the land-tax, it was certainly not practicable for him to

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confine the income-tax to the wealthy alone. The fact, however, that he was able to impose an income-tax in any shape speaks well for the docility of the English people. So far as I know, there is not a democratic country in the world that tolerates such a tax, and this has to be borne in mind when the reluctance of other nations to follow our free trade policy is under discussion.

By the substitution of the property and income tax, which then applied to Great Britain only, for the lowered customs duties, the deficits which had been chronic were made to disappear within two years; although owing to the fact that but little of the income-tax was received in the year in which it was imposed, the immediate result was a deficit of nearly £4,000,000. Next year, 1843, however, the revenue rose fully five and three quarter millions, customs and excise showing an elasticity that justified the highest hopes of those who advocated the change, and the result was a surplus of about £1,400,000. In the succeeding year the surplus became three and a half millions. But in 1847 the expenditure again overtook the revenue, and the account closed with nearly three millions of deficit, although the revenue, in spite of commercial crises and everything else, continued to grow. This is hardly to be wondered at since the expenditure was swollen by heavy additions to the military charges, consequent chiefly on the disturbed state of Europe, where thrones began to totter to their fall; the discontent of Ireland; and the agitated condition of Great Britain, which suffered like the sister isle, though to a less extent, from the untoward seasons and bad harvests. The military expenditure had been only £15,664,000 in 1845, but it rose to £16,865,000

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in the succeeding year, and in the years 1847 and 1848 reached fully eighteen and a half millions. A similar and nearly proportionate increase took place in the civil expenditure, so that for these two years there was an accumulated deficit of nearly £4,000,000.

In the meantime, however, another great step in the reform of our fiscal system had been gained. Sir Robert Peel succeeded in wiping the Corn Laws off the statute book; or rather he had discernment enough to understand the will of the nation, wrought to the highest pitch as it was by the vigorous exertions of the famous Anti-Corn Law League and the stimulus of hunger, and he, to his honour, obeyed it. I have not followed all the tinkerings and contortions which the sliding scale law of 1815 underwent in the vain efforts from time to time made to construct by its means a perfect guarantee of the gains of the land owning and holding classes and a certain producer of middling dear bread. The most notorious of these patchings, already mentioned, was that of 1828, which constituted the price of 62s. per quarter the cardinal figure, the centre pivot for wheat. At that price it was admitted from foreign ports on payment of a duty of 24s. 8d. per quarter, and for every shilling the price fell, 1s. was added to the duty. If the price went higher then the duty fell, until at a price of 73s. it reached its minimum of 1s. per quarter. The ascending scale was more arbitrary than the descending, as the duty went on and off by more irregular steps. No trade could be conducted safely under this or any such rule, and after various attempts to make the wretched law better, the last being in 1843, it had finally to be swept away. To the late Richard Cobden and to John

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Bright, more than to any other men, the nation owes this reform, which has probably done nearly as much as all the successive revisions of our tariff taken together, to make England the greatest manufacturing nation on the face of the earth. To-day we are sure of cheap bread, no matter what our own fields may yield. The world has been by this emancipation made our granary. But the struggle was prolonged and bitter to a degree of which we now have little conception. And even at the last the duties on grain were not abolished at once. It was necessary to treat the landed interests more gently than manufacturers, and three years were given them to turn round, during which the duties were to fluctuate between 10s. and 4s. per quarter, according to price. After 1849 a "registration" duty of 1s. per quarter continued to be charged down to 1869, when that too was finally swept away by Mr. Lowe. So recent is the date when this essential article of food was set completely free.

Looking back over this decade of fiscal legislation, one cannot sum results up more concisely than by quoting a statement made by Mr. Gladstone in his budget speech of 1860. Contrasting that brilliant period with the darker time that preceded it, he said:—"I take the ten years from 1832, the crisis of the Reform Bill, down to 1841, during which our commercial legislation was upon the whole stationary; and I take the twelve years from 1842-53, within the circuit of which are comprehended, generally, the great and beneficial changes that Parliament has made. In the ten years from 1832-41 this was the state of things. You imposed of customs and excise duties £2,067,000, and you

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remitted £3,385,000, exhibiting a balance over and above what you imposed of £1,317,000; or at the rate of no more than £131,000 a year. Now, observe the effect on the state of the revenue. During these ten years the customs and excise increased by £1,707,000, or at the rate of no more than £170,000 a year; while the increase of the export trade was £15,156,000, or at the annual rate of £1,515,000. Let us take the twelve years from 1842-53. You remitted during that period of customs and excise £13,238,000, and imposed £1,029,000, presenting a balance remitted of £12,209,000, or an annual average of £1,017,000. What was the effect on the revenue? The aggregate proceeds of the customs and excise increased by £2,656,000, or at an annual rate of £221,000. When you remitted practically nothing, your customs revenue, in consequence of the increase of population, grew at the rate of £170,000 per annum; and when you remitted £1,017,000 a year your customs and excise revenue grew faster than when you remitted nothing, or next to nothing at all. I ask, is not this a conclusive proof that it is in a great degree the relaxation and reform of your commercial system, which has given to the country the disposition to pay taxes along with the power also which it now possesses to support them? And as to the foreign trade of the country during the same period, instead of growing at the rate of £1,515,000 a year, it grew at the rate of £4,304,000."[1]

Various attempts were made during this period to reduce the debt, and good resolutions were from time

[1] Mr. Gladstone's Financial Statements of 1853, 1860-1863, pp. 126, 127.

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to time formed without bearing much fruit. After the abandonment of the cumbrous sinking fund of Mr. Pitt and its various modifications, some efforts were made to realise the ideal of the Finance Committee of 1828. It recommended that a real surplus revenue of not less than £3,000,000 in each year should be aimed at, the money to be applied in reduction of debt. This ideal was never reached. The new sinking fund established on this principle did little to reduce the amount of the debt capital between the years 1829 and 1869. If we exclude the years 1860 to 1867, when Mr. Gladstone worked marvels with the nation's finance, and take the time from 1829 to 1859 only, the budget of the first-named year alone shows the ideal surplus of £3,000,000. Without reckoning the three Crimean War years, there were five years of that period which showed a large deficiency, and only two—1830 and 1846—in which the surplus exceeded £1,000,000. Throughout the whole twenty-seven years of peace the total surplus revenue amounted to no more than £19,400,000, or an average of about £650,000 per annum. Throughout the entire period down to 1869, a period of thirty-seven years—excluding the Crimean War years—an average of only about £1,300,000 was applied out of revenue in reduction of debt. This, however, is exclusive of the reduction effected by the operation of the life and terminable annuities which, between the years 1808 and 1869, redeemed £98,003,189 of the capital of the debt and reduced the annual charges by £3,017,436.

The method of reducing debt by terminable annuities has always been a favourite one with Mr. Gladstone. It veils the operation of debt-reduction, and, by elevating

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the reduction of capital to the same level of obligatoriness as the payment of interest, compels the nation to pay its debts. In time of peace no engine could be more efficient or powerful, and it is to be regretted that of late years untoward circumstances have prevented greater foundations from being laid in this way for the future reduction of debt charges. Since the mistakes of 1808 were corrected, and the conversion of stock into terminable annuities placed on a sound basis, there has been much less danger of loss to the nation by the operation. We may therefore hope to see even greater progress made in the payment of the national debt by this method than anything hitherto done.

Going back to the subject of taxation, it may be said that Sir Robert Peel only opened the doors for our imprisoned industries, great as the progress of the twelve years 1842-53 had been. It was left principally to Mr. Gladstone himself to carry on the work of knocking away their fetters. He had, I suspect, more to do with the reforms of Sir Robert Peel than most people suppose, and at all events he learnt his lesson well in Sir Robert's school. Before, however, proceeding to sketch the further taxation reforms and changes in the revenue and expenditure of the nation, it is necessary to mention one other great emancipation, although it affects indirectly rather than directly the subject in hand. This was the abolition of the navigation laws, which, in one form or other, had sought to control the sea carrying trade of England since the days of Richard II. Born of jealousies, and upheld by false principles of public policy, these laws had especially curbed our trade since the time of the

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Commonwealth. Their root-principle was the exclusion of foreign shipping from a share in the carrying trade of this country, and Cromwell's "Act of Navigation," which formed the groundwork and model for all subsequent enactments, was levelled especially at the maritime prosperity of the Dutch. For just two hundred years after his law was passed the foreign trade of the country was hampered by this spirit of exclusiveness, and only when the United States took to retaliation in 1817, and when maritime nations in Europe threatened to follow suit, was any serious step taken to modify restrictions, which for a century or more economists and actual facts had been proving to be suicidal. In 1821, 1825, and 1826, first Mr. Wallace and then Mr. Huskisson procured modifications in the rigour of the laws, but only to a limited extent, since, still principally with a view to crush the Dutch and Danes, European goods continued to be importable in British ships alone, and a number of foolish or futile restrictions were maintained upon our trade with other parts of the world. Some of the evils were got over by a kind of reciprocity policy—"I will let in your ships if you let in mine;" but it did not work well, and our foreign trade was not really thrown open to the world till 1850, when an Act passed the year before, under the guidance of the late Mr. Labouchere, then at the Board of Trade, came into force. Four years later our coasting trade was, on the motion of Mr. Cardwell, also set free, and since then, as every one knows, not only has our commerce expanded, but our shipping has developed to an extent never dreamt of thirty years ago. In unshackling the trade of other nations we, in short, unshackled our own.

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All these changes told with great force upon the wealth of the population, and upon the yield of the taxes. The gross revenue of 1841, with the dead weight of an unwieldy tariff oppressing the country, was little more than £52,000,000; in 1852, the year before Mr. Gladstone began, as Chancellor of the Exchequer in Lord Aberdeen's Administration, his great work of continuing the task of Sir Robert Peel, the gross income was £57,727,000, and of that the income-tax yielded only £5,655,000. As he points out in the extract given above, with each fresh remission of taxes the yield of the customs increased. The years immediately succeeding 1853 are burdened by the expenses of the Crimean War, and to a slight extent also by those of the Indian Mutiny; but they at least justify all that Mr. Gladstone said in 1853 in praise of the income-tax as a means of preventing unwieldy deficits. A change in the date of making up the public accounts was introduced in 1854, the fiscal year being made to end on the 31st of March in each year instead of on the 5th of January, as had been the practice since the beginning of the century, and this once more raises difficulties in the way of making satisfactory comparisons. It may, however, be stated that Mr. Gladstone in 1853 repealed customs and excise duties to the net amount of £2,088,000, and in doing so got rid of the soap duty, and reduced the customs duties on many articles of import, including tea and fruits. Tea had been paying 2s. 2¼d. per lb. Mr. Gladstone at once reduced it to 1s. 10d., and had war not intervened, his scheme would have brought the duty to 1s. in 1856. Part of his reforms was the entire remission of customs duty on 123

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articles, which, although allowed to clog the tariff till then, brought in a revenue of only £53,000. On a further 133 articles he made reductions involving an estimated loss of only £70,000. Nothing could better show how much had remained to be done.

More notable, perhaps, than his remissions were the duties he imposed or altered. For the first time the income-tax was extended to Ireland, and incomes of £100 were made subject to the tax, though at a rate of 5d. in the £, as against 7d. paid by incomes of £150 and upwards. But the 7d. rate was only to endure for two years, down to April 1855, then for other two years it was to be 6d., and finally, for other three it was to be 5d., after which Mr. Gladstone expected to have no more need of an income-tax. He did not know what lay before him and before the country. Another important proposal made by him that year was a modification of the legacy duty, which amounted in effect to the creation of a new duty on successions to life interests in real and ratable property, and an abolition of distinctions in the rates charged to legatees of personal estate. Out of this new duty alone Mr. Gladstone in time expected to get £2,000,000 a year of additional revenue, although for the current year he only expected to get an additional £500,000. We must also mention the introduction of the uniform penny receipt stamp as a reform of this year's budget, involving an immediate loss by an ultimate gain. The results altogether of the changes introduced in customs and excise alone was a remission of taxation of £2,568,000, although Mr. Gladstone calculated that £900,000 of that loss would be at once recouped by increased con-

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sumption. But the succession duty was, as will be seen later on, too limited in its scope ever to become the source of income he expected.

Probably his anticipations would have been justified in almost every other respect but for the war. At all events, the revenue of 1853 showed no loss of elasticity, customs and excise yielding fully £900,000 more than in the preceding year. We, however, became involved in the Crimean War, and had in the beginning of 1854 to provide for a tremendous war outlay. Our military and naval forces cost the country only £16,326,000 in 1853. Between 5th April 1854 and 31st March 1863 —a period which may be said to have been one of war almost throughout, for when the Crimean War was over the Indian Mutiny began, and ere the Indian Mutiny was well ended, we had to conduct a new war with China—these services cost the nation no less than £281,000,000, or an average of £31,200,000 per annum. The highest year was 1855-56, when the total reached £51,661,000.

Such an expenditure led, of course, to an increase in the debt, and in a few months the effects of the scrapings and debt-payments of many years were completely wiped out. The debt charges had been but £27,977,000 in 1854-5; in 1856-7 they were £28,786,000. No wonder, therefore, that the financial year 1854-5 was a deficit year. The budget unfolded in March anticipated a deficit of £4,506,000, but the actual shortcoming at the year's end was more than £6,000,000, and with the heaviest part of the war bill still to be paid. This deficit occurred, too, although in the beginning of April the income-tax was doubled, 1s. added to the

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spirit duty (8d. only on Irish whisky), and an extra 1s. 3d. laid on malt, raising the tax to 6s. per bushel, besides some additions made to the sugar duties. These taxes were expected to add eight or nine millions to the revenue, but did not yield quite so much, and next year the new Chancellor of the Exchequer, Sir George Cornewall Lewis, estimated for a deficiency of £20,000,000. The revenue he reckoned at £63,000,000, and £16,000,000 was raised by loans through the Rothschilds. The terms were £100 in cash for each £100 in 3 per cent stock; but an annuity of 14s. 6d. per £100, terminable in thirty years, was granted to the lenders in addition, so that the Government borrowed in reality at over 3½—reckoning, that is, the capital value of the annuity on a 3 per cent basis at about £14; and including this capital value of the annuity, the increase in the debt was actually nearly £18,250,000. This year, 1855-56, ended with a deficit of over £22,700,000, and the year following with one of £3,250,000. In subsequent years, down to 1859-60, the income and expenditure either about balanced or left a slight surplus; but in 1860-61 and 1861-62 the heavy charges of the allied expedition to China again produced deficits. The nation, however, was very prosperous, and scarcely felt small disturbances of this kind. On the whole, too, the various Governments of that period followed with tolerable fidelity the policy of making current taxation bear as much of the war cost as possible. The Crimean War added only about £41,000,000 to the public debt burdens, although it involved a total addition to the national expenditure of, I estimate, about £73,000,000. Allowing for discounts

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on the money raised by loan, it would thus appear that in the three years ended 31st March 1857 about £35,000,000 of this cost was met by additional taxation. Of this, fully £24,500,000 was drawn from the additional property and income tax, and about £7,000,000 from additional customs and excise duties.

As usual, too, war brought with it a general augmentation of expenditure, and the peace that succeeded did not see the figures brought back to their old scale. In 1853 the total cost of the military and naval forces of the kingdom was but £16,326,000, including £260,000 paid on account of the Kaffir War, but in 1858-59 the total was £21,728,000, exclusive of £392,000 on account of the China expedition and £391,000 "extraordinary expenses of the late war with Russia." Including this China War, which is put down in the accounts as costing from first to last £5,524,000, the kingdom spent £111,000,000 on its army and navy in the four years ended 31st March 1862, or an average of £27,767,000 per annum. Besides the wars, a small part of this outlay was due to the great "fortification" scheme, born of one of the "invasion panics" which Mr. Cobden charged Lord Palmerston with periodically raising in this country. But allowing for all this, and for any expense that England may have incidentally borne in suppressing the Indian Mutiny, the normal peace cost of our army and navy had been increased by fully £10,000,000 a year between 1853 and 1863. This part of the national expenditure has never at any subsequent date fallen below £25,000,000 a year. The plea for this expense is, of course, the need of greater efficiency, the Crimean War having proved the army

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organisation to be in the highest degree imperfect; but however accounted for, it is a significant fact, and apparently an unavoidable result of war, so far as this country is concerned.

Mr. Gladstone in 1853 had indulged in several pleasant anticipations of progress besides the abolition of the income-tax, amongst which was a conversion of a considerable portion of the 3 per cent debt, if not the whole of it, into a 2½ per cent stock; but war nipped them all in the bud, and when he came back in 1859 to his old post of Chanceller of the Exchequer, a post he has adorned more than any man who ever held it, his task was to provide for a new war, and a normal expenditure of nearly £70,000,000 per annum. His difficulties did not restrain him from again attempting to improve the incidence of taxation, and in the three budgets of 1860-63 we have a brilliant record of work accomplished in the face of difficulties. Seizing in 1860 the vantage offered by the falling in of £2,146,000 of terminable annuities, and emphasising the fact that the year 1859-60 would close with a surplus, but for the cost of the new China war,[1] he began to lay the foundation of many important fiscal changes to take effect when peace should be restored. Few changes seemed possible that year, but the commercial treaty with France had just been concluded, and left the Government no choice but to lower considerably the duty on French brandy

[1] There was actually a surplus shown for this year by reason of a payment by Spain of a debt of £496,385, part of which came to hand before the financial year 1859-60 closed. The surplus, however, was only estimated at £65,000, whereas the blue book accounts show an actual surplus of £1,594,000.

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and on wine, as well as to abolish wholly the duties on manufactures not subject to excise in this country. By retaining the war-duty on malt, and by adding 1d. to the income-tax, and at the same time providing for the collections of three-quarters of it within the financial year instead of two, Mr. Gladstone was able to propose a relief to the taxpayers, which he estimated at nearly £4,000,000. One part of his scheme, however, the abolition of the excise paper-duty, by which £1,000,000 of revenue would have been surrendered, was thrown out by the Lords in its first form, and Mr. Gladstone was able that year merely to readjust the import-duty; but in the succeeding year this tax was wholly abolished.

The effect of the free trade changes introduced in 1860 was, roundly speaking, to knock some 370 articles off the tariff, and to reduce and readjust more equitably those that remained. In short, the era of customs reform might in one sense be said to have nearly reached its close, because of the few articles that now remained to operate upon. And the progress, all things considered, had been rapid. "The number of articles subject to customs duties," said Mr. Gladstone, "on the first of January 1842 was 1052. In 1845 it amounted to 1163 articles, for the first operation of the reform of the tariff was to multiply the number of articles in consequence of the transition from duties *ad valorem* to rated or specific duties, which of necessity caused an increase of the headings under which they were described. In 1853 the number of articles was 466; lastly, on the 1st of January 1859 it was 419."[1] His new budget reduced the number of principal articles to 48, divided into three classes.

[1] Budget Speeches as cited above, p. 179.

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Such, however, was the elasticity of the revenue from the increase of consumption and of population, as well as from the expansion of trade, that the loss to the revenue from changes of this kind was extremely temporary. The whole of our recent fiscal history is a complete vindication of the policy of remitting and reducing duties so that nothing should remain on the tariff which did not contribute a substantial sum to the revenue, and in order that it might do so should bear no duty high enough to preclude its passing into general consumption. By the remissions of 1860 that ideal was nearly attained. As an example of how the remissions worked, I may mention that the imports of French wines increased at once by 127 per cent on the reduction of the duty. On the whole of the articles on which the customs duties were repealed in 1860 the immediate increase in the import was 40½ per cent, although the year 1861 was in some respects a highly unfavourable one in which to judge of the purchasing capacity of the nation.

Henceforth the chief task of Chancellors of the Exchequer when in a position to remit duties lay in the readjustment of the internal revenue. In 1861 Mr. Gladstone accordingly felt justified in taking off the additional penny of income-tax imposed the year before, his original estimate of revenue, £71,000,000 odd, being about the largest till then ever made in time of peace—for except in China we were then at peace—in our history. This brought the tax back to 9d. on incomes of £150 and upwards, and 6d. on incomes between £100 and £150, the scale imposed in 1859, and with the repeal of the paper-duty constituted the chief reforms of the year. The China War caused a deficit in

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1860-61, a vote of credit amounting to £3,800,000 having been taken for it in July 1860, of which £3,000,000 was spent within the year, and a further £1,000,000 was asked for in the estimates of the current year 1861-62. Yet Mr. Gladstone felt able to remit taxes to the net amount of fully a million and a half within what remained of that year, and equal to at least £2,000,000 on a whole year's revenue. He also made minute changes all tending to relieve the population or unfetter trade, such as the reductions in the cost of hawkers' licences, and in sundry descriptions of stamps; changes, however, which had little effect on the revenue.

Nothing of importance occurred in the budget of 1862 except the abolition of the customs and excise duties on hops, and the readjustment of the wine-duties in the form that has been retained till the present day. In 1860 four different duties were established —1s., 1s. 9d., 2s. 5d., and 2s. 11d., the lowest being payable on wine under 18 degrees of alcoholic strength. Subsequent to 1862 the duties were 1s. per gallon on wines below 26 degrees, and 2s. 6d. on all above that strength up to 42 degrees. This, though imperfect still, was an important simplification of a cumbrous, though much reduced tax. Brewers' licences were also readjusted in such a manner as to make them compensate in a measure for the loss of the hop-duty; but altogether the changes did not affect the estimate of revenue to an amount worth mentioning one way or another. The absence of further great reductions this year was not due to any growth in the ordinary expenditure of the nation. On the contrary, that was becoming upon the whole reduced in spite of the large amounts

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devoted to fortifications; still it was about £70,000,000 all told, and represented an enormous expansion on ten years before. Once rid, however, of the China War charges, the country began to enjoy some taste of the benefits accruing from the large reductions in the debt and other charges, and the expenditure for the year 1863-64 was only £67,849,000, including £800,000 spent on fortifications. That of the succeeding year was less still by about £800,000, and that of 1865-66 fell to £66,467,000. A slight increase took place in the expenditure of the succeeding year, but the revenue insured, notwithstanding, a large surplus at the year's end. In these two years £1,180,000 was spent on fortifications. As the revenue continued to maintain its level of over £70,000,000 in each of the two first years, and as — always except in China — peace was maintained throughout the whole six whose budgets were introduced by Mr. Gladstone, it follows that this was one of those happy periods, all too brief and infrequent, of taxes remitted and of debt reduced. The progress would probably have been greater than it was in both directions had not the American Civil War put so severe a strain upon our cotton industries; and yet the effects of the cotton famine were marvellously slight upon the revenue. Directly the pressure was taken off our commerce bounded forward faster than ever; but even in 1864 Mr. Gladstone was able to declare that our foreign commerce was nearly threefold what it had been in 1842, when the free trade policy first began to take solid effect. In 1863 Mr. Gladstone, so far from being embarrassed by the cotton famine, was able to foresee a surplus of over £3,700,000,

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and on the strength of it he reduced the income-tax from 9d. to 7d., readjusted its incidence on small incomes, proposed to reduce the tea-duty down to 1s., and equalised the duty on chicory and coffee. He tried also to tax public charities and trust-corporations, but the clamour raised in the name of charity against that proposal insured its defeat. The amount thus lost to the revenue Mr. Gladstone estimated at £216,000 per annum, taking the income-tax at 7d. in the £, and it was and is no doubt an anomaly that property of this kind should go tax free. Public opinion, however, has never expressed itself very forcibly on the subject, and the question is not likely to come up again now until the much greater one of the misuse of charitable funds grows burning.

The three years 1864-66 were uneventfully prosperous, and their budgets do not need to be detailed. Each year Mr. Gladstone had to deal with great estimated surpluses, and each year he reduced taxation, paid off debt, and increased the economical working of the administration. Reforms in this last direction were much needed, but the range over which they could be applied was very limited. Debt and so-called national defence absorbed together about 83 per cent of the free revenue, leaving only 17 per cent for civil purposes, and in the matter of the debt and the military services economies were very difficult. Some progress, however, was made in reducing the debt charges, which were £250,000 less in 1866-67 than in 1860-61. The cost of the army and navy was also considerably reduced between 1863 and 1867—about £2,280,000, if we exclude the annuities paid each year for "fortifications."

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But very little was done to reduce the civil charges, some of the items in which, such as salaries and cost of collecting the revenue, had an irrepressible tendency to grow.

More might have been done to reduce debt had taxes been retained, and the surpluses employed to buy in and cancel stock. Mr. Gladstone, however, preferred to remit taxation, and only in his last year of office did he retain any considerable sum with which to pay off debt. The remissions of 1864 amounted to more than £3,000,000, including another penny taken off the income-tax, and considerable reductions of duty on sugar and molasses, that on refined sugar being reduced from 18s. 4d. to 12s. 10d. per cwt. In 1865 the remissions were larger still, the estimated surplus being over £4,000,000. Twopence more was taken off the income-tax, reducing it to 4d., and bringing in sight once more Mr. Gladstone's goal, its total abolition. The tea-duty was reduced by one-half from 1s. to 6d., and the duty on fire insurances was lowered to the uniform rate of 1s. 6d. per cent. These remissions amounted in all to about £5,344,000, and yet, in the succeeding year, such was the elasticity of the revenue, Mr. Gladstone could again count on a surplus, which he estimated at £1,350,000. With this he abolished the duties on timber and pepper, and reduced the customs duties on bottled wines of less than 26 degrees of strength, making also various other changes involving a loss of revenue to the estimated amount of £601,000. The balance of the surplus was to be directed to sinking fund purposes by Mr. Gladstone's favourite method, the creation of terminable annuities; but the commercial crisis, the war between Prussia and Austria, and Italy and Austria,

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with the disturbed state of the Continent which these struggles induced, and above all, the enfeebled state of the Government, sorely tried by the opposition and the "Adullamites" on its reform measures, led to the abandonment of the scheme. Next year, however, it was partially adopted by Mr. Disraeli, who was at first Chancellor of the Exchequer in the short-lived administration, of which he became the head on Lord Derby's resignation of the Premiership in the beginning of 1868. He converted £6,000,000 of stock, costing £180,000 per annum in interest, into an annuity of £444,000, expiring in April 1885. Of the gross estimated surplus of £1,200,000 he proposed to keep £250,000 or so against contingencies; and the resolution was wise, for owing to the Abyssinian War, and to the increase in the general costliness of the public services, the year ended with a considerable deficit. Mr. Disraeli estimated his revenue at £69,340,000, and the actual income was £69,600,000. But the expenditure, instead of being only £68,134,000 as estimated, reached £71,759,000. Deducting £2,000,000 charged that year to the war, the ordinary expenditure still exceeded the estimate by fully a million and a half, about £700,000 of which was due to the increased cost of the civil administration.

The period of surpluses was thus for the time at an end; that of free expenditure, deficits, and increased debt, again in full swing. A November session of Parliament was necessary in 1867 to sanction the credit of £2,000,000 asked for the Abyssinian War, and in April 1868 the new Chancellor of the Exchequer, Mr. Ward Hunt, had to raise the income-tax to 6d. He estimated the total cost of the war at £5,000,000, and thought that,

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with the help of the additional twopence of income-tax and £1,000,000 of Exchequer bills issued in anticipation of the proceeds of that tax, he would not only pay everything, but leave a surplus of more than £700,000 at the year's end. He was far too sanguine. The war cost £2,000,000 more than he counted on within the year, and when the accounts were made up at the year's end they showed an income of £72,592,000 from ordinary sources, and an expenditure of £75,491,000. The deficit, therefore, was nearly £3,000,000, and this the new Government had to face when it came into power. This was a marked change from the years that preceded 1867, and it is worth while looking back a little to sum up the results of one of the most prosperous periods in the financial history of the country.

Between 1859-60 and 1866-67 Mr. Gladstone repealed and reduced taxes to the net amount of more than £12,200,000. Granting that £2,146,000 of this was made possible by the falling in of that amount of terminable annuities in 1860, there still remains fully £10,000,000 of taxation remitted, in spite of several adverse circumstances, chief among which was the China War. This figured in the estimates, as has been already stated, for £5,524,000, but Mr. Gladstone put its total cost at £7,554,000, and it was met from revenue. Considerable additions were during this time made to the cost of the national debt through the creation of new terminable annuities; but, except for the "fortifications" scheme, this implied no addition to the debt capital. On the contrary, a steady reduction went on, of which the country is even now reaping, or will very soon reap the fruits. All this was done, and yet the ordinary

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expenditure was brought down from about £70,000,000 in 1860-61, to £66,467,000 in 1865-66, the last complete year of the then Government.

In two years' time the good effects of this economy were nearly obliterated, in part by the war, but also perhaps partly because, in 1866, the nation suffered from a financial "panic," not exceeded in severity by that of 1825. Its effects lingered till 1869, and without doubt told upon the revenue. But the expenditure likewise grew. Excluding the Abyssinian War charges altogether, and deducting besides the £264,000 net added to the debt charges by Mr. Disraeli's annuity, we find the ordinary expenditure of 1868-69 back again at almost exactly £70,000,000. Deducting the outlay on fortifications for both years, as well as every other "extraordinary" outlay, and Mr. Disraeli's annuity charge, the exact figures were—1865-66, £65,907,450; 1868-69, £69,701,909. This gives a difference of £3,794,459 in favour of the earlier date, certainly a rapid expansion, for which it is difficult wholly to account. It may, however, be mentioned that the outlay on public buildings was greater by £300,000 in 1868-69 than in 1865-66; that nearly a million more was spent on law and justice; and that the cost of collecting the revenue rose by nearly £400,000. "Superannuations and charities" also took about £50,000 more, and there was a slight increase in the charges for salaries in the public departments, but these minor alterations are merely incident to the conditions upon which the public departments are established. And as for the greatest increase of all,—that under the heading law and justice,—it was due, for the most part, to the arrangements

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then being made for the erection of the new central Courts of Law, now nearly completed. The "Carey Street site," ultimately purchased, cost about the sum represented by the increase.

The financial history of the years 1869 to 1880, over which we must not linger long, is fully as chequered as that of any time within the Reform period. After 1868 surpluses were again for a time the rule, and they for the most part coincided with a time of unexampled prosperity. The trade of the country, to use a phrase become hackneyed, moved forward by "leaps and bounds," and attained dimensions never before heard of. The revenue was therefore elastic, and the management of the national finances reasonably adroit and economical. Hence, up to 1874, the remissions of debt were large, and the reforms in taxation considerable, notwithstanding a few rather untoward circumstances. There were no wars, but sundry bills arising out of old strifes fell to be paid. When Mr. Lowe, as Chancellor of the Exchequer in Mr. Gladstone's Administration, formed in December 1868, brought in the budget for 1869-70, he had to provide for a further £2,000,000 on account of the Abyssinian War. Originally estimated to cost £3,000,000, and then various sums up to £7,000,000, it ultimately cost about £9,000,000. Mr. Lowe would therefore have had no surplus worth mentioning had he not followed Mr. Gladstone's example at an earlier period, and rearranged the collection of sundry assessed taxes, and the land and income tax, and house-duty, so as to make them payable in one sum in the first quarter of the year. This readjustment, much cried against at the time and since, but, on the whole, a most economi-

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cal and satisfactory one for the people, gave him a surplus of £3,382,000, with which he proceeded to repeal the "registration" shilling duty on imported corn, the fire insurance duty, and a penny of the income-tax, reducing it to 5d. Sundry petty duties, on hair-powder, post-horses, cabs, and carriages, were also either repealed or largely reduced; and licences for the sale of tea were abolished—the whole of the changes involving an ultimate remission of £3,060,000 of taxes, and giving for the current year a relief of £2,940,000, and an estimated surplus of £442,000. But with every readjustment this great relief could not have been accomplished without a return to administrative frugality. The charges for the army and navy, which had been £26,367,000 in 1868-69, without reckoning the war expenditure, were at once reduced to £23,323,000, and were kept down until the abolition of army purchase, and the reorganisation scheme of Mr. Cardwell, again brought up the cost of the army alone by about £2,400,000 a year, from £13,430,000 to £15,862,000, including the expenditure of the new army purchase commission. Since 1871 down to 1879, the last year for which the item is separately given, the abolition of the purchase of commissions in the army has alone cost the nation £4,392,000.

Although the remissions of taxes were so large in 1869-70, and the change in the mode of collection so much to its advantage, the prosperity of the country was so great that next year Mr. Lowe was again in a commanding position for dealing with the national finances. He had estimated for a surplus of over £5,300,000; the actual surplus was £7,869,000. Out of that, £4,300,000 had been paid for the Abyssinian War, and various

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other debts were wiped out, the total reduction being £7,886,000, against which, however, had to be set £7,000,000 raised on consols issued to pay for the internal telegraph system then taken over by the Government. For the current year 1870-71 his estimate was a surplus of £4,337,000;—revenue £71,450,000, and expenditure £67,113,000, the latter being once more back to something like that of five years before. With this surplus —forestalling it, as the budget manner is, for the Chancellor of the Exchequer, it must never be forgotten, always deals with the coming year in his treatment of taxation —he took another penny off the income-tax, making it 4d., reduced the sugar-duties by fully one-half—to 6s. per cwt. for refined kinds—and made various minor changes, involving a net remission of taxation to the amount, ultimately, of about £4,000,000, and causing an actual loss of about £3,260,000 within the year, which, such was the elasticity of the revenue, was nearly half a million less than his estimate. The receipts for this year were £69,945,000, and the expenditure £69,549,000, so that there was again a small surplus, although within the year £1,350,000 had been voted to provide for contingencies that might arise out of the Franco-German War.

Next year the changes in the army already mentioned—changes induced and hurried on mainly by the successes of Germany—involved a heavy increase in the expenditure, which the Government at once met by increased taxation, not by debt. Mr. Lowe estimated that the deficit would be £2,713,000, and proposed to meet it by partially rearranging the legacy and succession duties, by which he hoped to get £350,000 more;

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by increasing the income-tax through a conversion of this tax into a rate of 8s. 4d. per £100 for each penny levied; and by taxing matches. But these proposals were not accepted. The wealthy classes objected to any increase in the legacy and succession duties, and the match-makers in the East End set up a dreadful outcry against the match-tax, although it is a tax levied in many other countries, and in principle as unobjectionable as the tax on tobacco or beer. Both these proposals, however, had to be abandoned, and ultimately 2d. was added to the income-tax. The prosperity of the country again brought the year out with a handsome surplus, and Mr. Lowe was able to estimate that on last year's basis the year 1872-73 would give him a surplus of £3,600,000; so the 2d. imposed the year before on the income-tax was at once taken off again, and the limit of abatement raised from £200 to £300 per annum, while the abatement itself was fixed at £80 instead of £60. He likewise reduced the duty on coffee and chicory, and extended the exemptions from inhabited house duty to shops and warehouses. With all these reductions the actual income of this year was £76,609,000, or more than that of the year before by fully £2,000,000. From actual taxation the income was £1,000,000 more. The total was £76,609,000, and the total expenditure £70,714,000. Next year, 1873-74, Mr. Lowe was therefore once more able to look forward to a great surplus, but the further remissions it might have made possible were stopped by the necessity of paying the Geneva award of £3,000,000 to the United States on account of the *Alabama* claims. This was met out of revenue, and still there was room for some remission

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of taxation, for the estimated surplus was £4,746,000, such being the marvellous result of the immense business activity of the country. The sugar-duties were accordingly further reduced by one-half — to 3s. per cwt. on refined kinds, and from 2s. 4d. to 2s. 10d. on the leading classes of raw — and another penny was taken off the income-tax, making it 3d., the lowest figure it had touched since its reimposition by Sir Robert Peel in 1842. Still the revenue grew, especially the excise revenue, which, with never a break, mounted from about £20,500,000 in 1868-69 to more than £27,000,000 in 1873-74. Allowing for the transfer of sundry assessed taxes, such as the dog-tax, from the heading "taxes" to that of excise, through the substitution of licences for duties in 1870, which may represent about £2,000,000 of this increase, here was surely a marvellous elasticity, justifying Mr. Lowe's sarcastic remark that the country had drunk itself out of debt. Though sarcastic, it was in a measure true. The spirit-duties alone yielded fully £3,200,000 more in 1873 than in 1868, and the malt-tax rose in the same time by nearly a million and a quarter. So in spite of remissions the year 1873-74 showed a gross income of £77,336,000; the *Alabama* claims were paid out of the year's income, £800,000 provided for the Ashantee War, and yet the year finished with a surplus of nearly £1,000,000.

Defeated at the polls, Mr. Gladstone's Government went out of power in the beginning of 1874, and the Conservatives took its place. They found, on the basis of the previous year's taxation, a prospective surplus of nearly £6,000,000—the surplus in which Mr. Gladstone

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saw the realisation of his long-deferred abolition of the income-tax. Mr. Disraeli's Cabinet did not carry out that programme, and on the whole it was wise in not doing so, for, if unequal in its incidence, it is a just and necessary tax when viewed as a counterpoise to the other great sources of national income which are "indirect," and therefore levied, for the most part, upon the masses. But his Chancellor of the Exchequer, Sir Stafford Northcote, took off yet another penny, bringing the tax to 2d., thus keeping it alive. He likewise abolished the sugar-duties and the horse-duty and horse-dealers' licences. This did not swallow all the surplus, but the rest was devoted in part to the relief of local burdens, comprising a payment of £240,000 for lunatics, £600,000 for police rate, and £170,000 of augmented rates on Government property, or £1,010,000 in all given out of imperial to local revenue at one sweep. In succeeding years that sum was to be raised to £1,250,000 by further payments towards the cost of keeping lunatics. This was, taken altogether, a very dubious use to put the surplus to, and the bad features of the budget were not much relieved by the creation of £450,000 of terminable annuities, and the slight reduction of debt thus provided for. However, such as it was, this budget embodied the last of the great surpluses. Henceforth the country was to enjoy for a time experiences of another kind. The tide of trade had turned, and the wealthy classes, as well as some of the great industries, were, for the succeeding half-dozen years, to be impoverished and crippled by the collapse of foreign loans and the severe fall in prices. But although these told upon the revenue to some extent,

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there was no substantial or important reduction in the income for 1874-75. On the contrary, nearly half a million more than the budget estimate came in, and with economy the Chancellor of the Exchequer ought to have been able to look forward to another large surplus. But he modestly and sensibly, knowing the drift of things, contented himself with looking for almost none at all, and the only notable feature of the year was his institution of a new sinking fund, to take effect from 1877 onward in the purchase and cancelment of stock. This fund consisted in the difference between the amount required annually for the interest, etc., of the debt, and a fixed sum of £28,000,000 to be set aside each year out of revenue sacred to its service. It, in fact, put this £28,000,000 into the position of a terminable annuity, but this arrangement only served to demonstrate the impossibility of paying debt except by means of actually realised surpluses. There is no such thing possible as an automatic "compound" reduction of national liabilities by any other "plan."

This the inexorable logic of facts very soon proved, for with the outbreak of troubles in Turkey our Government was drawn into various unlooked-for expenditures. These immediately exceeded the revenue which had begun to show inelasticity through the dulness of trade, and was, through the usual growth of expenditure, beginning to prove insufficient in any case. By 1876 the Chancellor of the Exchequer, therefore, had to face a deficit, and saw in prospect his "sinking fund" vanishing. It would soon be nearly all required to pay interest on the new debt. Before the end of 1875 some

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£4,000,000 was spent in the purchase of a number of shares in the Suez Canal from the then Khedive of Egypt, by which means he was saved from immediate bankruptcy. This investment has hitherto paid, but other expenditure did not, and in 1876-77 the Chancellor had to put a penny on the income-tax to meet an expected deficiency. In the succeeding three years ending with 31st March 1880 the expenditure mounted to such figures that the revenue was totally unable to cope with them, although the income-tax was raised in 1878 to 5d. in the £, and about 4d. per lb. added to the customs duty on tobacco. These, and one or two minor changes, constituted all the additional taxation proposed, and the state of the country hardly justified much increase of taxation. Ever since 1874 its trade had been to some extent depressed, and no longer "bounded" forward. A time of stagnation in the customs and excise revenue consequently followed the brisk period, when a lavish people joyously drank themselves out of debt, and the difficulty of the Chancellor of the Exchequer was to know what to do with his surpluses. The agricultural interest especially began to suffer from a variety of causes at the time when Sir Stafford Northcote was most in need of money, and that rendered the Government still less willing to directly burden the people. In short, they followed the middle course of slightly increasing the taxes, and leaving the major part of the deficits to be made up by borrowing. Partly because of this course, but also because of the variety of the claims made upon the Government, and the arbitrary setting aside of £28,000,000 a year for the service of the older debt, the constituent parts of the new debt be-

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came a little ravelled. Money borrowed through the Government for local purposes, and repayable at distant dates, was raised by the issue of Treasury bills with three or six months' currency, and a so-called temporary loan of £2,000,000 to India, repayable without interest in three yearly instalments, was raised by an issue of perpetual consols. In one form or other the floating debt grew till it amounted on 31st March 1880 to £27,345,000, including the unredeemed capital of the Suez Canal shares. When Mr. Gladstone retired in 1874 the floating debt was under £4,500,000. At that date the revenue was nearly £77,000,000, and a surplus of £6,000,000 was anticipated. In 1880 the revenue had risen to £81,250,000, and there was an anticipated deficit on the year of about £3,000,000. Such was the change that a time of agitated public feeling, of wars and rumours of wars, of bad trade and changes in the treatment of the national expenditure, had produced in six short years. The contrast may be summed up in a sentence.

During the five years ended 31st March 1874 the revenue aggregated £374,000,000, or an average of £74,800,000 per annum, and the expenditure £357,000,000, or an average of £71,400,000. On the other hand, during the six years ended 31st March 1880, the aggregate income was £474,800,000, or rather more than £79,100,000 per annum, while the expenditure amounted to £481,000,000, being an average of fully £80,000,000 per annum. Thus roughly contrasted, the first period shows an average expenditure of fully £8,500,000 per annum less than the second, and an aggregate realised surplus on the five years of £17,000,000, as against an aggregate deficit

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of £6,000,000, exclusive of the greater part of the war costs in Afghanistan and South Africa.

This, however, is not nearly a complete statement of the case, for we must look at the amount of debt paid off or added in each period, and at the amount of taxation repealed or imposed, before a just estimate of the altered circumstances can be formed. In this respect the contrast is also marked, for whereas about £6,000,000 was paid out of revenue on account of the Abyssinian and Ashantee Wars and the *Alabama* indemnity during the first period, it was still found possible to remit taxation to the net amount of £12,500,000, while the necessities of the six succeeding years both added to taxation and prevented any sensible reduction of debt. The net remission of taxation, down to and including the surplus of 1874, was £16,500,000. At the same time the debt was reduced in amount, not merely by the steady operation of the terminable annuities, but by actual purchases of stock out of surplus revenue. In the year 1873-74 alone stock of the nominal value of £4,545,000 was thus bought and cancelled, and the estimated reduction of the debt by all agencies was £27,000,000 during the five years then ended.

In the succeeding years, notwithstanding the augmented resources furnished partly by increased taxation, the outcome was very different. After 1874 there were no remissions of taxation worth notice, but taxes to the net amount of £5,500,000 per annum were imposed between 1875 and 1880, and the creation of new debt went on so fast, in one form or other, as almost to neutralise both the operations of the terminable annuities and the new sinking fund. The official figures place the

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debt at £774,000,000 on 31st March 1880, as against £776,000,000 in 1874, showing a reduction of only £2,000,000 by every agency in the entire period; but it would not be fair to say that the microscopic amount of this reduction is merely the product of war and waste. Some £4,000,000 of the new debt was, it must always be remembered, the price of the Suez Canal shares. The broad fact, however, is as has been stated. And the pressure has continued, for succeeding budgets have presented none of the features made familiar by the prosperity periods of 1860-66 and 1869-74. A slight change has been made in the form of a tax by the substitution of a beer-duty for the previously existing malt-tax, but another penny had to be put on the income-tax in order to find means to do that. This penny has since been taken off, without, however, affording any solid abatement of the public burdens, which are now of such a magnitude as to cause anxiety for the future, although, as I shall have to explain presently, the enormous growth in the totals of income and expenditure within the last ten or twenty years is by no means wholly the result of increased taxation.

We have now arrived at the end of the historical part of this essay, so far as the national finances are concerned; and brief and fragmentary as is the story here told, it may, I trust, enable the reader to comprehend more readily the position of the income and expenditure of the present day, which is, after all, the most important subject to be handled. To that we shall therefore now turn.

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CHAPTER V.

THE NATIONAL INCOME OF TO-DAY—WHAT IT IS AND HOW IT IS COLLECTED; WITH NOTES ON THE REVENUES OF OTHER NATIONS.

THE policy of financiers in England for the last forty years has been in the main to narrow the basis from which the national revenues are drawn. This policy has involved a larger recourse to direct taxation than was customary in the immediately preceding period. As the imposts were one by one removed from articles of consumption or from the raw materials used in manufactures, the revenue had to be maintained and propped by the income and property tax. The spread of the basis of political power outwards in the direction of a complete democracy thus had the effect of reversing in considerable measure what had been the controlling fiscal policy of this country, at least since the date of the Restoration. A free trade policy, in short, meant, and means, a return to taxes upon realised wealth in some shape, and compels statesmen, whether they like it or not, to find ways of increasing the burdens of the rich proportionately as they reduce those of the poor. At the present time, however, the bulk of our revenue is still

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drawn from indirect taxes, from customs and excise. These, indeed, as will be seen by the table on page 150, represent about five-sevenths of the entire revenue from taxes.

"Customs" it may, after what has been already said, hardly be necessary to explain are the taxes levied upon the foreign trade of the country—the taxes that have their prototypes in the old "customary" duties of tonnage and poundage, in fact. In their modern guise they are, so far as England is concerned, duties on imports alone, and these duties are confined to articles of luxury or of food. No important article used in our manufactures remains on the tariff, or list of duty-paying articles. So far has this policy of freedom from taxation been carried, that for the past decade or so the revenue from customs has tended downwards, and this tendency would seem to point to the conclusion that the limits of remission, or possibly, as in the case of tobacco, of prolific yield, had been reached. There are now only ten classes of articles upon the tariff, and, including every subdivision, less than fifty separate items. For practical purposes, however, we might say that the number of articles contributing substantially to the revenue by customs duties is only four—spirits of various kinds, tea, tobacco, and wine. In the year ended 31st March 1881 these articles yielded £18,344,000 out of a total customs revenue of £19,211,000. It is obvious, therefore, that most of the other articles can only be kept on the tariff either because of old usage or for the purpose of counteracting some excise duty. They can hardly pay the cost of collection. Chicory yielded only £75,275 in 1880-81; plums and prunes only £15,600 altogether; cocoa only

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£51,300; coffee but £200,250, and so on. The removal of all these articles from the tariff, as well as of currants, raisins, gold and silver plate, which only gives £6400, and figs, can only be a question of time. Of the other articles the most prolific is tobacco, which now pays a duty of from 3s. 6d. to 3s. 10d. per pound when un manufactured; and of from 4s. 1d. to 4s. 10d. on manufactured kinds, exclusive of cigars, which pay 5s. 6d. For the year 1880-81 these taxes yielded £8,659,000. Next come spirits, of which, however, only two kinds, rum and brandy, yield heavy amounts to the revenue. In the year named the one contributed £2,435,000 and the other £1,679,000; "Geneva" gives but £110,000. A number of other small items, like this last, are retained on the tariff under this head to countervail or balance excise duties, and contribute altogether only about £220,000 to the revenue. Amongst them are chloroform, collodion, ethyl, purified naphtha, varnish containing alcohol, perfumed spirits, such as eau-de-cologne, etc. Some of these articles yield less than £5 in a year. The basis upon which the customs revenue now rests is therefore very narrow. Every important article is free, except one or two articles of consumption, and I do not think that any return to the old ways is possible.

Excise is the term by which we designate the chief branch of our internal revenue. This branch corresponds in a sense to the old "tenths and fifteenths" "taken out of" the produce of the soil for the good of the State; but in more modern days, since the creation of the liquor duties in the time of Charles II. in fact, the word has been used by the people to specify the

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revenue drawn from beer and spirits or malt. Latterly the Excise Department has had a wider prospect than this, and it may be best described as the department which collects the indirect taxes upon home products and wealth. That at least is its main business, and as a department it is now merged in that of the Inland Revenue.

This is the greatest revenue-collecting department in the entire Administration. In fact, the two bodies, the Commissioners of Customs and the Commissioners of Inland Revenue, may be said to manage between them the administration of the entire taxation of the kingdom, and the latter have gradually drawn within their control the distribution of stamps, including the collection, by stamp, of many of the fees at the courts of justice, and the supply of the post-office, as well as the collection of every internal tax levied for imperial purposes. They collect the income and property tax, the house-duty, the tax on railway earnings, the probate, legacy, and succession duties, and the land-tax, as well as the duties of the old excise proper. This concentration has promoted greater economy in the administration of the revenue, and is thus conducive to the public good, a multiplication of departments and offices being always provocative of waste. In the year ended 31st March 1881 our customs service cost £992,473, and the Inland Revenue Department £1,858,000, the one showing a considerable decrease, and the other an increase, on the figures of ten years before. The increase of inland revenue charges is caused by the transfer of minor sources of income, such as various descriptions of licences, and money fees, to the management of the Inland Revenue Department

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or the Excise branch thereof. Compared with the amount of revenue handled, the customs charges amount to rather more than 5 per cent, and the inland revenue to about 3⅜ per cent, on the sums paid into the Exchequer. The cost of the Customs Department, however, must tend to appear larger, measured by the income it collects, so long as that income diminishes. It takes the same army of watchers, collectors, and superintendents, to prevent the revenue from being defrauded, when the taxes are small as when they are large. No port can be left unwatched, and the fact that so many ports do not yield enough in duties to pay the costs of the staff in charge, is an argument used by many for the total abolition of import duties. But it is difficult to subscribe to that doctrine.

Inland revenue, as will now be understood, comprises both direct and indirect taxes—the latter being the more prolific of the two, and forming in great part the ancient duties of excise. The greatest source of internal revenue the country has is drink. Spirits alone yielded £14,394,000 in the year ended 1st March 1881, and in the preceding year £6,732,000 was drawn from malt, besides £628,000 from sugar used in brewing. It is estimated that the beer-duty, substituted on 1st October 1880 for these two last taxes, will bring in about as much as they did, and about £2,000,000 more is drawn from various descriptions of licences paid for by people dealing in liquors. In all, therefore, we may calculate that the single item drink contributes to the inland revenue from £23,000,000 to £24,000,000 a year—say, at a moderate estimate, £23,500,000. Add to this the £6,800,000 or so contributed by the customs duties on

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spirits, wines, etc., imported, and we get altogether upwards of £30,000,000 as the sum contributed to the public revenue by drink. As the total revenue from taxes is only £70,000,000 in round figures, it may be said that fully three-sevenths of our whole revenue comes from this source. Under excise we now also find many of the old assessed taxes, for which excise licences have been substituted, such as the dog-tax, the taxes on armorial bearings, carriages, and servants, the game licences, all the liquor and eating-house licences, and so forth, whose aggregate yield is now nearly £4,000,000. Part has been, as explained above, only lately put under the control of the excise. This is a measure of administrative economy. "Assessed taxes" mean taxes which are levied by a system of what may be called requisition. The most striking examples of them are the income-tax and local rates, and this mode of collecting the revenues implies the employment of an army of assessors and collectors,—the one for regulating and determining the amount of the impost, and the other for gathering it up. Papers are distributed either to be filled up, or, where the tax is a specific amount, advertising the taxpayer of the sum he is to be asked to pay, and altogether the system is cumbersome and costly. Licences, on the other hand, may be said to be a means of making taxes collect themselves. Take the dog-tax for example. Formerly people were "assessed" for the dog or dogs they kept, and had to make returns, and so on. Now they simply go to the nearest post-office and pay for a licence or licences to keep a dog or number of dogs—the licence lasting for one year from January till December. Failure to take out

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this licence involves a fine not exceeding £5. Many evasions are doubtless practised, but they probably decrease in number, and, on the whole, the net yield to the revenue by this plan is certainly greater than by the old.

Next to alcoholic liquors, as a source of revenue, stands the income-tax, which in the year ended 31st March 1881 yielded £10,776,000. This is the principal direct tax we now endure, or rather under that generic name lies a whole system of direct taxation capable of great expansion, and in some directions but imperfectly developed. As Mr. Gladstone said in his budget speech of 1853, this impost is rather a code or system of taxation than a simple tax. To the bulk of the people, however, it is known in its most obnoxious form as a tax upon ordinary incomes,—salaries, professional earnings, profits of trading, and so forth. Assessments on these are now made under schedule "D," which is the most important of all the five schedules into which this system of taxation is subdivided; for it comprises, in addition to incomes of this private character, the profits of public companies, such as gas and water works, or railways, dividends on foreign and colonial investments, as well as the profits on working mines and quarries, the rents of fishings and shootings, etc. The next in importance is schedule "A," which comprises incomes from the rent of land and houses, proceeds of tithes, royalties, etc. With this may be classed schedule "B," which embraces the tax payable by occupiers of land, except nursery-gardens, the profits on which are assessed, like those of trades and professions, under schedule "D." Schedule "C" regulates the

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assessment on incomes from the public funds, and schedule "E" that on incomes derived from official appointments, whether in the public service or in the service of corporate bodies.

From this brief summary some idea will be gathered of the wide ramifications of this impost. It touches every source of wealth, all the varied means of subsistence, from those of the humble clerk with an income of £150 upwards; and the annual or triennial assessments on which it is levied form an inventory of the national wealth of the utmost value. One of the principal objections to the tax has relation to its incidence on private incomes from profits, etc., which cannot be ascertained by the assessors except by an inquisition revolting to the sense of independence supposed to be inherent in the breast of an Englishman, and no doubt frauds and concealments in this sense are systematically perpetrated by numbers of people, particularly when the tax is high. Considerable tenderness, however, has been shown of late years to the man of small income, and by the allowances and deductions he enjoys he may be said to have been placed in a position where the tax cannot, except in time of war, be a real hardship. At the present scale of duty, 5d. in the £, a man whose income is just £150 pays 14s. 6d. per annum, and a man with an income of £400 only £5 : 16 : 10. If he has insured his life, it will, by the amount of the annual premium, be less than that. The hardships cannot therefore be great; and if it be considered what a mighty engine this complex tax has been in the past, whether as a means of paying war bills, or of enabling the Government to unfetter the commerce

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by which we live, the good it has done, and may still do, must be admitted to have far outweighed the evil.

Our next great source of internal revenue is that group of direct taxes which ranks first under the head of "Stamps," called by Mr. Gladstone the "death-duties," and known in official documents as the probate, legacy, and succession duties. Together they yielded net in 1880-81 £6,657,393, made up as follows:—Probate and letters of administration, £3,064,616; legacy-duty, £2,817,655; and succession-duty, £775,122. From these figures it will be seen that Mr. Gladstone's anticipations of the yield of the duty on successions to real estates imposed by him in 1853 are as far from being fulfilled as ever. They never can be fulfilled while the present anomalies in the tax continue, while corporations who are owners of real estates escape all duty, and while the tax is levied on the estimated capital value of a life interest, instead of on the full value of the freehold. But, in point of fact, the whole of this group of taxes is in urgent need of revision, as Mr. Gladstone so lucidly explained in one of his Scotch election speeches. The little done by him in his last budget, whereby the collection of the tax on small estates was cheapened, simplified, and made more just and rapid, is as nothing to what is required. Not only do the whole series of duties press unequally on small estates as compared with large, or favour and exempt real estate to the detriment of personal, but the variations in probate and legacy duties, and the distinctions between estates left by will and intestate estates, are themselves most vexatious and unfair. It is therefore to be hoped

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that the small instalment of reform obtained in 1881 is but the beginning of great reforms.

It is scarcely necessary to burden the reader with details of the other items of income grouped under the head of "Stamps." The largest item is "stamps on deeds, etc.," *i.e.* on leases, mortgages, conveyances of real property, settlements, and the like, which yielded £2,175,475 in 1880-81, and the total of £4,620,000, received from all the minor sources was made up as follows:—Bills of exchange, £740,000; compositions for the duties on the bills and notes of the Banks of England and Ireland and of county bankers, £127,530; cards, £14,653; gold and silver plate, £64,414; licences and certificates, £145,444; marine insurance, £130,383; patent medicines, £139,000; patents for inventions, £179,000; receipt, draft, and other 1d. stamps, £887,300; and district audit, £26,374. It will be at once seen that several of these imposts are of an objectionable kind. Some are so because the yield is so minute as not to be worth the cost of collection. Of these are bankers' notes, a small item of £322 omitted from the above list, and playing cards, the duty on which ought either to be higher than it is or abolished. The gold and silver plate duty is another tax which Mr. Gladstone wished to abolish on account of its smallness, although in principle it is a perfectly justifiable impost. Marine insurances ought, I think, to be relieved from special taxation, and there is a deal of wrong to the inventive genius of the country involved in the £179,000 received from patents. Amongst the other duties not specified above, although included under one or other of the heads enumerated, are the stamps payable on the transfer of stocks and shares and

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other kinds of property, some of which need reforming, only that the yield may be increased, and the licences of bankers, certificates of solicitors, etc., and marriage licences, all perhaps fair enough sources of income, but at the same time for the most part petty enough. In 1880-81, for example, marriage licences produced only £4593, conveyancers' certificates only £233, and even bankers' licences gave but £34,470. After 1880 it will be impossible to say what the yield of receipt stamps is, for these stamps are now indistinguishable from the penny stamp of the post-office, but the day may not be far distant when the post-office itself, with all its multifarious duties, will become a branch of the Inland Revenue Department.

The fees of all the courts of justice in the kingdom are now mostly collected in stamps, and yielded £656,000 in 1880-81. Some of these are very minute, and the revenue from these sources might perhaps be increased without hardship to litigants were their other expenses rendered less burdensome through a simplification of our legal system, modes of procedure, and laws. That, however, is not a subject for discussion here.

There are but two other sources of income from taxation that call for notice. One is the land-tax, and the other the inhabited house-duty. The first of these has been dwelt upon in previous chapters to an extent that precludes the necessity of saying much now. It yielded only £1,050,467 in the year under review, and is, in point of fact, rather an interesting relic of bygone times than a source of revenue in the modern sense of the term. As a relic of antiquity, also, it is slowly but surely disappearing. Up to the end of the

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financial year 1879-80 £840,794 of the tax had been redeemed and totally extinguished, and I am afraid that this, the least burdensome and fairest of all sources of national revenue, will in time disappear altogether. No fact in all our fiscal history is so significant of the dominance of a small knot of privileged persons as the fact that this tax should be not merely redeemable, but that where it still exists it should be payable on a valuation of property made so long ago as 1692, nearly two hundred years since. Whether, in the coming rearrangements of our system of land tenure, this remarkable anomaly may be abolished or not is more than one dare venture to predict, but it unquestionably ought to be. The rent of the soil, or at least that portion of it which is in no sense due to the amount of capital sunk therein, ought to belong to the State, not to private individuals. We recognise the truth of this to the utmost extent in India, but deny it at home. The tax has never been applied to Ireland. Owing to its subdivision amongst the various counties in England in fixed quotas, this tax falls somewhat unequally on various parts of the country; but it is nowhere equal to 6d. in the pound on the present assessment, and in some counties where, through density of population and increase of manufacturing or mining industries, the value of property has much increased, it varies from about ½d. to 1½d. in the pound. And yet the landowners complain without ceasing of the intolerable burdens upon "property"—meaning "land." This may be true in a sense because the burdens are not ostensibly laid on "rent;" but the imperial revenue from this source is undeniably smaller than it ought to be, and many

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other imposts have to be borne just because it is so.

The other tax we have to notice—the inhabited house-duty—is a tax evaded at both ends of the scale. By the wealthy it is, especially in country districts, evaded through under-assessment—the true value of houses is not stated. Evasions as systematic are common at the other end of the scale, and this tax, which was re-imposed in 1851 on all houses of a rental of £20 and upwards, in lieu of the old window-duty, is not nearly so productive as it ought to be. There were only about 1,000,000 houses assessed for it in 1878-79 out of a total of 5,475,564 inhabited houses, beer-houses, shops, and farm-houses in Great Britain at that date, and there is beyond doubt a prodigious number of houses put down at just under the £20 limit that ought to be taxed. How this is to be remedied it would be difficult to say, unless the suggestion by the Liverpool Financial Reform Association be adopted, which is to abolish all limitations as to rent, and charge the duty on the owner instead of the occupier. On an assessment of 6d. in the £ on shops, beer-houses, and farm-houses, and 9d. in the £ on dwelling-houses, it yields at present about £1,600,000 per annum; but were exemptions abolished, and all assessments made on true ratable value, it might without hardship be made to yield about £3,000,000, for the rentals exempted now from the tax, or under-estimated are probably almost equal in amount to the rentals charged.

Here, then, we come to the end of the heads of revenue from taxation. Before passing to the other items which go to make up the gross total of

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£84,000,000 odd to which the income of the kingdom has now risen, it may be well to insist a little upon the fact that this gross total is no measure of the pressure of public burdens upon the people. There has not, in short, been that gross increase in taxation which the figures of the annual budgets would imply. An increase there has of course been, but the extent of it is comparatively small, only, as the table given at the end of Chapter VI. will show, some £6,000,000 since 1858. It need not have been that, perhaps, had we been thrifty and prudent; still it is something to know that the load of *national* taxes does not swell apparently faster than the population which bears it increases. Measured indeed by the "per head" standard, imperial taxation is now lighter than it was in 1858. Then the burden was about £2 : 4 : 4 per head, now it is barely £2. On the whole, too, the incidence of the taxes now falls less upon the poor than it did then. No articles of general consumption, except tea, tobacco, cocoa, coffee, and wines and alcoholic liquors, now contribute to the revenue, and on all of them, except liquors and tobacco, the amount of the tax has been lightened. Tea, coffee, and cocoa will, in all probability, be made as free as sugar at no distant day, and then little will remain, on the customs tariff at least, to which objection can be taken. The drink tax is no doubt onerous, and the mode in which it is levied on the internal production costly and irksome to a degree, as it involves the supervision throughout of the manufacture of spirits or beer by a staff of revenue officers. Reform may, therefore, be needed in the system by which they are levied, and in the drink-licencing system the necessity for reform seems great. Possibly,

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also, the day may yet come when "licences" will here also assume, to some extent, the place of duties, to the relief of the trade and of the taxpayer; but in some form or other the taxation of drink must, I fear, remain one of the chief sources of the national income.

A word or two must now be said about other branches of income which are not taxes. First amongst these in antiquity is the revenue of the Crown lands, woods, and forests. The gross revenue from these sources in 1880-81 was £463,437, and the net amount paid into the Exchequer £390,000. This last sum is about ·56 per cent of the total income from taxation, and represents a mere shred of what the Crown revenues ought to have been had the national lands not been so recklessly alienated.

Very different is the condition of the post-office, which, from the small and feeble beginnings of the later Stuart days, and for long by very slow steps, has in these times developed into one of the finest business organisations in the world. Our post-office is the model on which all the postal systems in the world have been framed, and the scope of its business is year by year extending. The annual reports of the Postmaster-General make everybody familiar with the details of its business, so that it is unnecessary here to give many particulars; but I must, for the sake of the moral, enumerate the different things it does besides carrying the letters and newspapers of the country. It is a great transmitter of money by means of its post-office orders and postal cheques; it is a great bank of deposit and investment agency for the masses of the people, whose money it holds at interest to the amount of almost

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£33,000,000, an amount which will in all probability be much increased as time goes on; it, as we have seen, assists in the collection of the inland revenue by selling licences and stamps; and it manages the entire telegraph system of the kingdom, which has cost the country altogether £10,634,000, in part because the price paid to the old companies for their lines and privileges was extravagant. I wish one could add that it also fulfilled the functions of a great life insurance office for the masses, but this part of its business has hitherto been a failure.

As a revenue-gatherer the post-office now brings nearly £7,000,000 gross, and nearly £3,000,000 net, into the Treasury every year. But for the excessive cost of the mail-packet charges, chiefly on the Indian, Chinese, and Australian mail services, it might yield quite £3,000,000 net, exclusive of the telegraph receipts, which, as the telegraph has a capital account to wipe off or pay interest upon, cannot well be taken as free net revenue at all, or not as yet to any extent. But they figure in the national accounts, and therefore swell the totals. In 1870 the gross revenue of the post office was only £4,670,000, and that from telegraphs had only just begun to accrue. It may therefore be reckoned that fully £2,000,000 gain from the post-office, and £1,500,000 from the telegraph have, since that date, come in to swell the total on the income side of the national budget, not as taxes, but as payment for excellent service rendered.

The last great item on the income side remaining to be noticed is the "miscellaneous," and a very curious agglomerate it is. It figured for £4,318,000 in the accounts for the year 1880-81, and has risen almost

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steadily to that point from £3,200,000 in 1870. To some extent it represents English taxation, but it is chiefly of interest for other reasons. It includes such items as "conscience-money," the nation's share in the profits of the Bank of England note issue, contributions by Colonial Governments, and by India, which may be also considered the proceeds of taxation, although not drawn from Home sources. Perhaps the best way to show at a glance what "miscellaneous" actually is, will be to print the following table, taken from the finance and revenue accounts of 1880-81 :—

Small branches of the hereditary revenue	£69,268	2	10
Bank of England (profits of issue)	138,578	0	0
Receipts by Naval and Military Departments	833,223	5	7
Contributions from Colonial revenues in aid of military expenditure	143,781	0	9
Army Purchase Commission	1,578	8	3
Contributions from Indian revenues	1,219,162	5	1
Imperial Ottoman Loan of 1855	70,804	18	9
Receipts by Civil Departments	1,252,919	7	3
Receipts by Revenue Departments (including packet service)	392,443	9	0
Net profit on Post-Office Savings Banks	125,345	4	11
Income of Gazettes	10,260	8	0
Savings on grants of Parliament, etc., and over-issues repaid	1,414	13	0
Treasury chest	4,611	13	4
Isle of Man	10,346	9	1
Greek loan	7,891	4	2
Conscience-money	6,202	7	3
Casual receipts	1,745	11	4
Total miscellaneous revenue	£4,289,576	8	7

Some of these items are, it will be seen, cross entries, and others are payments from foreign Governments on

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account of debts we have guaranteed for them. The third item in the list, "Receipts by Naval and Military Departments," includes sales of old stores, an inevitable but very losing business for the country; and the eighth, "Receipts by Civil Departments," embraces income from convict establishments and prisons, county court fees, police court fines, fees of foreign consulates, income from sale of Government publications, courts of justice minor receipts, etc. etc., but few or none of these can be considered in any shape taxation. Besides the "miscellaneous" income, there is an item of increasing importance, called "interest on advances for local works, etc.," and on purchase-money of "Suez Canal shares," which amounted last year to £1,248,000. This total must steadily increase, so long as the present system of lending to local bodies continues, but where drawn from taxes, the taxation that bears it is local, and local taxation must be left for discussion to another chapter.

These, then, are the component parts of the gross income, which reached last financial year the total of £84,329,000. Of this, in round figures, £70,000,000 came from taxes, leaving over £14,000,000 as the gross income from other sources. To the revenue from taxation I estimate that indirect taxes of all kinds contribute about £45,500,000. It is, however, not possible always to say what is a direct and what an indirect tax. Railways, for example, pay a tax on their passenger traffic, which the Excise Department collects, and which came to more than £748,000 last year. In turn the Companies put it, where possible, on the price of their tickets; but whether they did so or not, I am doubtful if the tax could be called in a strict sense

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direct. So, too, with many descriptions of licences to auctioneers, publicans, brewers, distillers, bankers, compositions for duties payable on the bills and notes of the Banks of England and Ireland, bills of exchange stamps, receipt stamps, and so on. These are not direct taxes in the sense of the income-tax or the house-duty, but neither are they indirect in the sense of the Customs duties and the Excise duties on spirits and beer. It is therefore difficult exactly to apportion our taxation between the two categories. There is a class of taxes, for example, which fall on commerce. It comprises patents for inventions, bills of exchange stamps, patent medicine stamps, marine insurance duty, and receipt stamps. Another falls on certain traders, such as some of those above enumerated. They are minute and of little moment to the revenue in most cases, but they present difficulties in assigning them their proper category. On the whole, I incline to class them as indirect taxes, because they are ultimately levied on the consumer or customers of the people paying them. Other taxes again—such as the dog-tax, the taxes on armorial bearings, carriages and servants, gun and game licences, and most kinds of deed stamps, and the "death-duties,"—must be classed as direct taxes. Separating the items in this way, we get in round figures about £24,500,000 as the amount of the direct taxes. Taking the varied circumstances of our population into account, this is not perhaps an unfair proportion, and leads rather to the inference that it is the modes and means of raising the taxes, rather than their incidence, which needs reformation. Still something remains to be done in both respects. The anomalies of

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Customs and Excise, for instance, are far greater than those of the income-tax. The poor man's ounce of tobacco, for which he pays 3d., would cost less than a penny were there no duty upon it. He therefore pays a tax of say 400 per cent on the amount he consumes, while the rich man who buys cigars pays a tax of but from 15 to 50 per cent. So, too, with beer and spirits, in a sense the poor man's drinks,—they pay far more than the rich man's wine. On the light wines of France the duty ranges from an infinitesimal amount to at most about 25 per cent, whereas on spirits the duty is, I should say, quite 200 per cent on the manufacturer's price, and if publicans' charges be added probably 300 per cent. Ordinary beer is likewise taxed to the extent of 100 per cent at least, and that is about the weight of the duty on common teas such as the poor consume. These are anomalies that seem to call for reform, and yet it is most difficult to say how such taxes could be made more equal and just in incidence. We cannot return to *ad valorem* customs duties or to taxation by a percentage on the worth of the article. We should lose more than could be gained by so cumbrous a system, and specific duties—duties, that is, of fixed amount irrespective of the value of the article taxed — must always press more heavily upon cheap articles than on dear.

A comparison of our position as taxpayers with that of other nations would be highly interesting, but is at best very difficult, and in the limits of such a work as this nearly impossible. National conditions and systems of taxation vary so much. For example, the taxation of the United States has been thrown almost

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entirely on indirect sources, because the Federal Government has extremely little power over the internal government of the country. That belongs to the several States composing the Union. For similar reasons Germany is in the same position, and before one could estimate the character or incidence of its taxation, an analysis of the revenues of the contributory states would be necessary. So also with a country like Austria, split into two halves, the one almost entirely agrarian, the other peopled by various races, some with industrial capacities, some pastoral, and so on. Only in the case of homogeneous countries like France, Spain, Belgium, and Holland, could a definite basis for comparison be reached, and even in most of these the circumstances of the people must be taken into account.

In the concluding chapter of this book will be found a table relating to the imperial and local taxation of other countries and our own, to which little can be added. It may, however, be stated that, leaving taxation on land apart, no country tolerates at the present day so much direct taxation as our own. In France, for instance, Customs and Excise together represent about 45 per cent of the entire imperial revenue, and a minute system of indirect taxes has prevailed, especially since the war of 1870-71. The people have to pay taxes at every turn: sugar, salt, paper, mineral and other oils, candles, doors and windows, carriages, horses, wines, advertisements, and many trades and professions, are all subject to imposts. Tobacco is a strict government monopoly administered for the profit of the State; the earnings of the railways are levied upon to the

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extent of more than £3,000,000 per annum; and so forth. These taxes, of a more or less indirect character, are all borne by the people rather than an income-tax, or any heavy direct impost other than the land-tax and registration duties, which together yield in France about £26,000,000, or some 25 per cent of the whole ordinary income of the State. Customs duties yield from twelve to thirteen millions sterling, but neither in France nor in any other great country can we measure the weight of these duties by their amount. No nation except England has adopted cordially and fully the principle of imposing taxes for revenue purposes alone. Some "interests" are always considered and to be protected, and accordingly many Customs duties in nearly every country are deterrents of imports, not providers of revenue. Thus, if by reason of prohibitory import duties a man pays £10 for a suit of clothes instead of £5, he is taxed for the benefit of the home producer to that extent, but the revenue shows no sign of it. In this remark is found another of the many reasons against making too superficial or hasty comparisons between the taxation of England and that of foreign countries. We can tell broadly that no great nation is so lightly taxed as we are, but that is nearly all.

On another point we may go farther and say that, in no country in the world, except perhaps Russia, is so much of the income of the state drawn from alcoholic liquors as in England. Here the Excise and Customs revenue from drink, exclusive of licences, but including the wine-duties, amounts to about 38 per cent of the whole income from taxation; in France it is not more than 20 per cent, if so much; in Italy this kind of

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taxation can hardly be said to exist, unless wrapped up in the *octrois*, or municipal duties, which the State collects. The manufacturers of drinks of all kinds pay licences in Italy, in common with the sugar boilers and gunpowder manufacturers, but the total receipt from this source did not amount in 1879 to £350,000. In Germany the malt and spirit taxes appear to amount to between 10 and 12 per cent of the whole, but here comparison is vitiated for the reason above given. The drink revenue of Russia, however, is the greatest the empire has, and amounts to nearly 45 per cent of the whole income from taxation.

Most Continental states, it may also be worth mentioning, receive larger amounts from state property and industries conducted by the state than we do. No post-office in existence yields such an income as ours; but the Governments of Germany, Russia, Austria, France, Holland, Belgium, and Italy, are all, to a greater or less extent, the owners of the railways within their territories, and from these they all draw more or less revenue, although, as they have also contracted debt in building and buying them, it does not follow that much or any of this revenue is net gain. These properties, in short, are in the position of our telegraph system—they have a capital account to reckon with, and may, till that is reduced, or the countries more developed, involve an increase of taxation while seemingly producing a satisfactory increase in the gross revenue. What the ultimate consequences of great possessions of this kind may be upon civil freedom and industrial progress is a question well worth the attention of political students.

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CHAPTER VI.

HOW THE NATIONAL INCOME IS SPENT—CONTRASTS AND COMPARISONS WITH OTHER COUNTRIES — THE METHOD OF THE BUDGET OR ANNUAL NATIONAL BALANCE-SHEET, AND PARLIAMENTARY CONTROL.

ON the expenditure side of the national accounts the first great item is interest and other charges on the national debt. Sir Stafford Northcote fixed the permanent charge, as he called it, of this debt at £28,000,000, and the effect of this plan was, when deficits accrued, to swell the floating obligations, which were treated as something distinct from the permanent debt. Accordingly the actual total charges of the debt have exceeded the amount set aside every year since this plan was inaugurated. While a few hundred thousands were yearly paid off by the new sinking fund, millions were, on one score or other, added to the capital of the debt, until last year the total interest, annuity, and sinking fund charges upon it amounted to £29,575,264. Deducting the sinking fund for that year, £351,402; the charges on the money raised to pay for the Suez Canal shares, £199,854; and the interest on loans raised for local purposes, and paid for out of local rates, £455,182,

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in all £1,006,438, the sum paid for interest, etc., on the debt out of the national income was £28,468,826. This proves how impossible it is to reduce debt without surplus revenue to do it by, and, in fact, the "permanent charge" of the debt is now fixed at £28,800,000. Of this sum £21,494,578 is absorbed by the interest of the various descriptions of funded debt, £208,762 going to the Banks of England and Ireland for "management," and the rest for interest. This, however, does not include £61,478 paid as interest on the £2,000,000 raised by consols as a "temporary loan" to India. That loan has since been included in a free grant of £5,000,000 to India on account of the expenses of the late Afghan War, but it still stands outside the permanent debt. Annuities absorb £6,852,636 of the balance. These are of several descriptions. First we have life annuities amounting to £941,461, and then come a series of annuities created either for public works, or, as already mentioned, for the purpose of paying off debt in the manner proposed by Mr. Gladstone in his budget for 1881-82, but not carried out. Included in these, also, is the heavy short annuity of £1,350,583 created by Sir Stafford Northcote in 1880, to pay off £6,000,000 of the floating debt. In all, these various terminable annuities absorb £5,841,813, and they all expire some time in 1885. Sundry other annuities of a minute character make up the total given above. The largest is the Red Sea and India Telegraph Annuity of £36,000, which does not cease till 1908. Unless changes are in the meantime introduced, involving an extension of Sir Stafford Northcote's five years' annuities, nearly £6,000,000 will, in 1885, cease to be a charge upon the

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revenue of the Crown, and the debt of the nation will be reduced to a capital sum of less than £720,000,000 all told. So long as the nation is willing to bear the burden, it may be presumed, however, that the bulk of this sum will be made available for the creation of further large amounts of terminable annuities, having for object another great reduction in the amount of the debt. The whole position of the floating debt requires overhauling and readjusting, and this will doubtless be done at no distant day if Parliament can be got to work. In that overhaul the terminable annuities may play an important part. That being the case, their operation as now organised is worth a word of explanation. It might be possible, through the insurance companies, who possess more than £120,000,000 of invested funds, to pay off large amounts of consols by means of money raised on these annuities, but the Government follows a safer and simpler plan. The National Debt Commissioners, as holders of the savings bank funds and the funds of estates in Chancery, are obliged to possess consols to the amount of more than £100,000,000, and every now and then, when the Government has the means, it says to these Commissioners—"Sell to us ten, twenty, forty millions of your consols, in exchange for an annuity terminable in so many years." This is done, stock to the amount fixed on is cancelled, and, in lieu of it, the Commissioners get an annuity calculated to recoup to them their capital and the interest at the rate of 3 per cent for the whole period of its currency. It will be seen, therefore, that, by virtue of the various annuities they hold, they must always be large buyers of Government stock, as they are bound to replace their

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capital and hold it at the disposal of the true owners. Moreover, as an annuity draws near its term their purchases become heavier and heavier, because a larger and larger part of the annuity represents capital and a smaller part interest with each year of its currency. Hence the powerful influence which the current annuities have upon the price of consols. They have been in existence for so long that the bulk of each annuity is applicable to the purchase of stock, and the Commissioners are accordingly buyers to the extent of probably quite £5,000,000 a year at the present time, irrespective of the amount bought with new funds placed in their hands, by the thrift of the community, through the savings banks.

Besides the debt of all kinds, the following charges are laid upon what is called the Consolidated Fund, and form in other words what might be called a first charge upon the revenue—civil list, £407,629; annuities and pensions, £310,706; salaries and allowances, £93,650; courts of justice, £595,273; and miscellaneous services, including the cost of localising the military forces, £262,510. The first of these items includes £60,000 paid to Her Majesty's privy purse, £131,260 for salaries and allowances to her household, and £172,500 for the expenses of that household. Then Her Majesty also gets £13,200 for royal alms and special services, and £22,629 is paid away in small pensions, some of which fall to poor or aged authors. Besides these charges the various members of the royal family have annuities to the amount of £161,000, exclusive of the pay drawn by some of them out of the amount voted for the forces. This sum forms part of the second item, which also

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includes £39,000 per annum paid to certain families for naval and military services rendered to the Crown. Amongst these pensioners are the Duke of Marlborough, whose family has enjoyed £4000 per annum since Queen Anne's day, and Earl Nelson, whose family has a perpetual pension of £5000 per annum. These are the two largest perpetual pensions of this class. The rest of the pensions making up the £310,706 are of a miscellaneous character, and in the main represent, possibly, not unfair equivalents for services rendered or vested interests abandoned; but they include £4000 a year paid in perpetuity to the heirs of William Penn, and one or two smaller sums of the same character. The third item, "salaries and allowances," embraces the salary of the Speaker of the House of Commons; subsidies of £21,040 to the Scotch Church, including £2000 per annum to the High Commissioner to the General Assembly, and £8364 to the ecclesiastical establishment of the West Indies, annuities to the Scotch Universities and the Queen's Colleges in Ireland, emoluments of the Lord Lieutenant of Ireland, and other small items. No explanation is required of the fourth item, which includes most of the salaries of the Judges of the United Kingdom, the Scotch Sheriffs, and a number of minor officials, as well as considerable but diminishing sums as compensations for abolished offices. Some of these last, however, are in perpetuity.

Next to the debt, the two greatest charges upon the national exchequer are the naval and military forces and the civil services. In last year's accounts the first amounted to £27,861,536, and the second to £15,778,730, exclusive of the cost of collecting the

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revenue, and the post-office, telegraphs, and packet service charges. The army alone cost the English exchequer £15,558,601, including the cost of the Army Purchase Commission, now a small item. In addition to the above total, India added to the military charges last year £1,600,000, of which £500,000 represented the first portion of the £3,000,000 to be paid to her still on account of the grant in aid of the cost of the Afghan War. The balance was charged against the Indian revenue, and figures as a receipt amongst the "miscellaneous" sources of income. Compared with ten years ago, the normal charges of the army are not materially greater, but still they have increased. Including the cost of army purchase the amount charged is about £2,000,000 more than the average for 1870 and 1871, about half a million larger than in the years 1873 to 1876, since which latter date wars and rumours of wars obscure comparisons. The cost of the navy last year was fully £900,000 more than the average cost during the five years of the Liberal Administration ending with 1873-74. So far as the army is concerned the increased cost may fairly be ascribed to the changes that have been going on in its organisation, and that of the navy may be due to the descriptions of vessels that have been of late years in vogue.

It is, however, impossible to account exactly for these increases on grounds like this, and we find they may to some extent, in the case of the army, be due to the imperfect control which Parliament exercises over its administration. The "War Office" and the "Horse Guards" represent to a considerable extent a divided empire. In a sense, however, it may be said that the

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permanent heads of all the Departments of State are the true governors of the country, and the ultimate regulators of its expenditure. There is a point below which no economising Parliamentary chief can go.

As regards the navy, it may be said that the dominating maritime position of England compels its administrators to seem, if not to be, wasteful. That is to say, there is no improvement in construction, no change in gunnery, no new invention in the art of destruction, which the Lords of the Admiralty can afford to neglect. Our navy must be the largest and strongest of any in the world, both because of the extent of its duties and the greatness of the risks it has to insure. It is a necessity of our position that our navy should be more costly than that of any other nation. We spent upon it last year £10,703,000, which is about two millions more than the cost of the French navy, the only one with which ours can fairly be compared. Both Italy and Germany have been making great efforts to improve their fighting navies, and spending heavy amounts thereon; but neither these countries nor Russia appear to devote more than between two and three millions a year to this object. The outlay of the German empire in 1877-78 was £2,500,000, that of Italy in 1878 about £1,800,000, and that of Russia in the same year about £2,600,000, taking the rouble at 2s. The United States of North America, which have no foreign possessions to look after, no neighbours to emulate, and little merchant shipping to protect, appear to spend more on their navy than these European Powers. Formerly their navy cost from five to six millions sterling, but latterly the cost has been reduced to about £3,000,000.

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What European countries lack in this respect they more than make good in the cost of their armies. Here, however, comparisons between them and ourselves are as difficult and as apt to mislead as comparisons of revenue. Our army is organised on the voluntary enlistment system, whereas every great European state raises its forces on some system of compulsory service. In our case, therefore, the cost of the army is great compared with its numbers, and it would probably be greater still but for the extent to which our military charges are thrown upon India. I do not in making this remark allude to the fact that India pays over a million sterling per annum directly to the English Exchequer towards army recruitment and other charges, but to the fact that some sixty thousand British troops are constantly maintained in India at the expense of the Indian Exchequer. Had we to pay for these troops, as we formerly had to pay in great part for the troops supplied to our English-speaking colonies, we should find out what an enormously expensive machine our numerically small army is. The men composing it have to be better fed, better paid, and better clad, than the men of armies raised on the Continental systems. Moreover, our army still suffers from the effects of the "purchase system," by which it became, and was in a manner maintained rather as, a private property of the aristocratic and wealthy classes than as an institution of police and defence controlled by the nation. It is for this reason still over-officered, and therefore overloaded with the higher classes of pensionaries — of men who have in former days bought as commissioned officers the right to an annuity for life,

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or its equivalent from the public funds. As reforms are gradually worked out, a defect of this kind may tend to be minimised, but in the meantime these and other peculiarities in our military system vitiate hard-and-fast comparisons with the cost of the forces of other nations. Subject, however, to qualifications of this kind, it may be interesting to enumerate the army charges of the principal nations already mentioned. In 1877-78 the German army cost in round figures £18,800,000, the French army about £22,800,000, the Italian army (in 1879) about £7,300,000, the Austro-Hungarian about £14,000,000, including the cost of the local militia, and the Russian about £19,000,000. Here again the United States is conspicuous by the smallness of its army charges, which amount only to about £8,000,000, but then its army is merely a form of internal armed police, whereas those of the Continent and our own are instruments of offensive warfare.

No army of a great European state is so small as ours, but the basis of an intelligible comparison cannot be found unless we include India. If this be done, and the numbers and cost of the military forces of the British Empire be thus added together, we find that our regular or standing army of about 300,000 officers and men costs upwards of £30,000,000 a year. Were the reserve and volunteer forces added, the total cost would be nearly three millions more than that. For the sums above mentioned Austria-Hungary maintains on the peace footing an army of about 270,000, and upholds an organisation capable of raising the number in time of war to nearly 800,000; Germany an army of 420,000 men, with an organisation capable of raising

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it to 1,300,000 in time of war; France an army of 500,000 men, expandible in war to a total of nearly two millions; Italy an army of about 200,000 men, with reserves capable of raising it to about 450,000; and Russia an army of nearly 800,000 in peace and 1,200,000 in war. The United States army is limited to 25,000 men, and is therefore the costliest for its size of all. But taken altogether this is a very remarkable catalogue, with a moral obvious enough.

It is difficult to give an intelligible description of the great variety of heads of expenditure included in the civil service estimates proper, and at first sight they suggest an urgent necessity for a new classification. In a country like ours, however, where the centralisation of public business has, perhaps, too great a tendency to increase in any case, and where public interests steadily multiply, anything like scientific classification must be very difficult. Still it is not easy to see why the salaries of Scotch sheriffs should be included in the Consolidated Fund charges, while those of the English county and police courts are for the most part included under civil service; or why the cost of the Scotch criminal business, the salary of the Lord Advocate, and the law court charges in Ireland, should not be all under the one head of judicial expenditure in these countries. As matters of account it would be better to systematise these items, and one suspects also as a matter of public economy, for the multiplication of heads of account nearly always means increased cost of administration. The "Consolidated Fund" system, in short, ought to be abolished, and the whole of the charges of the public service in every department as much as pos-

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sible classified and simplified. One may, in short, say that the "Consolidated Fund" charges here mentioned are just those old charges that subsisted before the modern Civil Service estimates and heads of expenditure were elaborated. The Scotch Sheriffs, for example, are a much more older body than the English county court judges, and have therefore in a manner a prescriptive right to be included in the "first charges" upon the revenue. But it is a right, and involves a distinction, of no practical value. No item of expenditure can in reality be a first charge upon national revenue. It has to bear the general administrative charges, of necessity, as an equally pressing burden. At most, therefore, the "Consolidated Fund" ought to be limited to the funded debt charges and the annuities payable to the Crown, since the former represent obligations contracted with the public, and the latter the arrangement entered into with the reigning monarch. This would enable all legal and administrative charges to be classified under their proper heads.

This anomaly apart, the "civil service" expenditure includes every department of the public service, other than the army and navy, and the customs, inland revenue, and post office, with its appendages. In the £15,779,000 appropriated to it are included the charges for maintaining the royal and public buildings and parks, the royal palaces, the salaries of officials connected with the Houses of Parliament, except that of the Speaker and a portion of that of the Lord Chancellor, the expenses of the various minor public departments, local Government Board, Lunacy Commissioners, Record Office, Public Works Loan Office, National Debt Office, Paymaster-

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General's Office, etc., as well as those of the great departments of State. Here we find the charges of the Irish Lord Lieutenant's household, and of the foreign diplomatic and consular services, the payments out of the imperial exchequer to county prisons, the outlay on public museums, on the National Gallery, on university education, grants in aid to the colonies and to Cyprus, together with all the expenditure on the education of the people, and a host of minor items, including eleemosynary doles of considerable amounts. To give a detailed account of them within the limits of this work is impossible, nor would it be of much value if given.

One practical point is to show how this expenditure grows, as grow it unquestionably does, at an enormous pace. Fifteen years ago, in 1866, the total charges under this head amounted to but about £9,000,000, including every item, or fully £6,500,000 less than they do now. What is the reason of this great expansion? Speaking broadly, the two main causes are to be found in the lamentable absence of local government in this country, and in the tendency which has arisen, partly from that want, to grant large sums out of imperial revenue in aid of local expenditure. In calling the absence of local government lamentable, I by no means wish to imply that local government would be inexpensive. It might be, and where it does exist often is, extravagant. What I think, however, is that the imperial tax-payer ought to be, as little as possible, responsible for expenditure over which he can have no control. Neither the imperial credit nor the imperial budget ought to be charged with the consequences of expenditure purely local in origin and object. Even

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where imperial aid may be legitimately given to local objects, it ought, I think, to be given through responsible local bodies. But be this as it may, of the facts there can be no doubt. Since 1870, for example, a heavy and increasing charge has been imposed on the public exchequer for education alone. Exclusive of the Science and Art Department, the grants in aid of local education for the people have risen from £2,000,000 in the year 1873-74 to £3,720,000 odd in 1880-81—an increment of fully £1,700,000; and the probability is that this item must still increase. It is, however, an item against which no valid objection can be raised, except, perhaps, on the responsibility side.[1] Of a different complexion are some of the grants which now appear in the civil service estimates, as a result of a policy begun in 1874. We now, for instance, find £571,000 paid for pauper lunatics in relief of local rates, a sum that had no place in the accounts seven years ago. Within the same period £550,000 additional per annum has been added to the imperial contribution towards the maintenance of county and borough police, and £220,000 towards that of the metropolitan force, while about £400,000 has been added to the charge for local prisons. These sums represent together £1,742,000, which must be considered as almost wholly grants in aid of local expenditure, and I fear it must be looked upon as the result of a

[1] Subject always to the limitations set forth in the text, it may be of interest to state that the sum spent out of national revenue for education is, according to recent budgets, about £3,000,000 in France, £1,600,000 in Russia, £1,250,000 in Italy, £1,900,000 in Austria-Hungary, and £2,000,000 in Prussia, including fine arts, science, and medicine.

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very unwise policy—a policy sure to lead to waste, nay, as the next chapter will show, actually doing so. Added to the increased charges for education, we can therefore account, within half the period that has elapsed since 1866, for about £3,500,000 of the additional internal imperial expenditure which has come into being since then. But all through the numerous administrative departments we find the same tendency to expansion visible. Hardly an item of any consequence shows a decrease compared with seven years ago. The Board of Trade absorbs £72,000 a year more now than it did then, the Foreign Office £18,000 more, the Charity Commission £12,000 more, the Stationery Department £61,000 more, the Local Government Board £30,000 more, reformatory and industrial schools £45,000 more, the Science and Art Department £73,000 more, superannuations £21,000 more, and £160,000 more is contributed, perhaps fairly, to local rates from imperial taxes in the shape of increased rates on Government property. Minor spending institutions tell the same story, and making every allowance for the expanding necessities of the population, as well as for the tendency of every office to enlarge its requirements, one cannot but think that these figures speak to a tendency towards extravagance.

At all events, increases of this kind teach one lesson —that the Imperial Parliament should exercise a rigorous supervision over all departments of public outgoings. Theoretically this, of course, is done now, but practically the supervision both of Parliament itself and of the Parliamentary heads of departments is rather loose. The conditions of Parliamentary life and govern-

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ment inevitably have this effect. It is interesting, however, to see how carefully the rules of Parliament now provide for the thrifty, and above all the honest, management of public moneys. Even were he willing, no first Lord of the Treasury or Chancellor of the Exchequer could now misapply public funds for any purpose whatsoever, and the charges of this kind sometimes heard of in the heat of party strife may be set aside as utterly groundless. That is not where Parliament fails, or where the rules guiding income and expenditure are inefficient. It is in the mastery of details, the grasp of the proportions of things, and the general absence of knowledge of departmental requirements.

The general method of preparing the annual budget is indeed about as thorough as it well could be. Every item of outlay has to be laid before the House of Commons early in the year. Each department prepares a huge volume called the "Estimates" for the coming year, which is laid before the House at a date antecedent to that of the budget statement. These volumes are called the "Army estimates," the "Navy estimates," and the "Civil Service estimates," huge quartos all crammed with figures and minute entries of moneys wanted for the forthcoming year. Upon these estimates the Chancellor of the Exchequer—the Finance Minister as he would be called on the Continent — bases his estimates of what money will be required for the public services in the coming year,—upon these, and upon the actual revenue of the past year. If taxes have to be imposed, the House of Commons alone has the power to decide what these taxes shall be. A power of veto is indeed vested in the Lords, they can reject a money

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bill *en bloc*, that is; but once the House of Commons has given its sanction to a particular kind of tax, the Lords cannot alter it. Usually, but by no means always, the proposals of the Chancellor of the Exchequer are accepted by the Commons, and even when they are not in detail it is seldom that the items of expenditure are objected to. The House is supposed to go through the "estimates" in detail; it forms itself into a "Committee of Supply," and sanctions every item in the three bulky volumes, but its members have not as a rule knowledge enough of the details to offer effective criticism, and the utmost the Committee can be said to do on the average is to render flagrant abuses impossible. On the average perhaps that is enough.

One very powerful check upon phenomenal extravagances is the strictness with which the accounts of each financial year are made to end with that year. The moment the 31st of March ends the balance is struck on both sides, and credit is taken only for the actual money received within the twelve months, while all authority to spend money for any purpose, except the Consolidated Fund, immediately lapses. If an extra credit has been given, and, as may often happen, has not been all spent within the financial year, the Government has no power to continue to draw upon it. Parliament must renew it before another penny can be used, and the same is the case with ordinary unexpended balances. By this rigorous proviso all concealment of debt and confusion of amount of income and expenditure are avoided. Each year tells its own tale, and each year the Government in power has anew to submit its estimates *de novo* to Parliament.

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A different system prevails on some parts of the Continent, notably in France and Spain. There a tax voted for one year, and whose arrears may not come in for twelve or eighteen months after the year closes, is all credited to the year in which it was imposed, and a credit once opened continues open till it is spent, the expenditure being often in the end debited entire to the year in which it was sanctioned. Under arrangements of this kind the greatest confusion may easily prevail, and it is always three or four years before the nation can know what the definitive expenditure of a given year is. Indeed it is quite possible to hide that important fact from the people altogether, and I believe this is not unfrequently done in Spain. But where nothing of the kind happens it is a system which always keeps the way of concealment open, and even in France with its carefully-chosen Budget Committees the true state of the national balance-sheet is often hard to discover. Arrears of taxes in one year overlap with those of other years, credits old jostle credits new, and amid the confusion the truth is smothered. In this respect the English system is a model upon which it would be very difficult to improve; but the German Government, which has to some extent copied it, is restive under its control, and seeks to approach the French plan by a system of biennial budgets.

In another respect also the control of Parliament is thoroughly provided for. There is a special Audit Department of the Civil Service, whose business it is to examine the accounts and vouchers of the entire expenditure; but, lest this supervision should not be sufficient, there is nominated each year by the House a

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special committee of its members, which may be said to in its turn audit the Audit Department. Before this committee all the accounts of the completed financial year are passed in review. Usually some of the most experienced business men in the Commons are upon this committee, and its reports often contain valuable information regarding the spending departments, as well as useful suggestions. A body of this kind sometimes does more good, in short, than the House itself sitting in "Committee of Supply" and hurrying the votes through with express speed in the small hours of the morning. Minute inquiries are occasionally made by it into the reasons why certain items of expenditure have occurred; it discusses claims for compensation, grants and special disbursements, in addition to the ordinary outgoings of the department, mainly, to be sure, upon the information and advice of the departments themselves, but still with a certain independence of view and judgment which must be valuable. Even this body, however, can hope to master only fragments of the huge volume of business, so to speak, transacted by the departments, and as a judge of the great bulk of the departmental requirements is almost powerless. But that is only another way of stating a defect common to all representative institutions.

The expenditure of the post-office and of the telegraph service comes under a different category from that of the ordinary services, but it is also nominally just as much in the control and under the supervision of Parliament as any of them. It is an expenditure that must grow, of course, with the growth of business; and, all things considered, it is probably a sign of cheap administration that the expenses of these departments

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together should be only 56 per cent of the gross income. The true economy here, perhaps, would be a higher rather than a lower ratio, and recent changes must, at least temporarily, cause it to go up. In the above proportion it should be stated that the cost of the packet service is not included. That is a thing by itself, and partakes, so far as the India, China, and Australian services are concerned, of the bounties-on-shipping system now in full operation in France. The sum paid, that is, bears no adequate proportion to the services rendered, and it ought to be possible for the nation to save two or three hundred thousand per annum at least under this head alone.

This brief review will perhaps enable the reader to understand how the money comes and where it goes; but in order to show exactly how we stand to-day in the matter of imperial taxation as compared with a generation ago, I append here a valuable table extracted from the finance and revenue accounts for 1880-81 :—

INCOME.	1880-81.	1857-8.
Customs	£19,180,000	£23,110,000
Excise	25,300,000	17,830,000
Stamps (less Fee Stamps, etc.) .	11,080,000	7,280,000
Land-Tax and House-Duty . .	2,740,000	3,150,000
Property and Income Tax . .	10,650,000	11,580,000
	£68,950,000	£62,950,000
Excess of Expenditure over Income in 1857-8 . .	.....	240,000
	£68,950,000	£63,190,000

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EXPENDITURE.	1880-81.	1857-8.
Army and Navy. . . .	£25,280,000	£21,450,000
National Debt	28,170,000	28,560,000
Civil Services, viz.— . . .		
Imperial, including Civil Consolidated Fund Charges .	5,900,000	5,920,000
Public Education . . .	3,700,000	820,000
Grants in aid of Local Taxation	4,940,000	1,430,000
Afghan War (Grant to India) .	500,000	.....
Persian Expedition . . .	.....	900,000
China War Expenses . . .	.....	590,000
Compensation for Abolition of the Sound Dues	.....	1,120,000
Revenue Departments, viz.—		
Customs and Inland Revenue .	2,765,000	2,640,000
	71,255,000	63,430,000
Post-Office, Telegraph Service, and Packet Service — *Excess of Receipts over Expenditure* .	*3,235,000*	*240,000*
	£68,020,000	£63,190,000
Excess of Income over Expenditure in 1880-81 .	930,000	.....
	£68,950,000	£63,190,000

This account gives, on the income side, the produce of taxes only; excluding all receipts which the Treasury consider not to be in the nature of taxation. On the expenditure side it deducts from the gross cost of each service the receipts which the Treasury consider to belong to that head of service, the net remainder only being paid out of taxes. Thus the account shows the *Cost of Government defrayed out of Taxes.*

The year 1857-8 is taken as the basis of comparison, because it was the first year of peace expenditure after the Crimean War.

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A discrepancy will be noticed between the debt charges given in this table and that given on page 132. It probably arises almost wholly from the fact that the interest of the capital expended on the telegraph system is not chargeable on taxation, but on the income of that department.

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CHAPTER VII.

LOCAL TAXATION AND DEBT—CONCLUDING OBSERVATIONS ON THE TAXATION OF THIS AND OTHER COUNTRIES.

No account of the finances of the United Kingdom would be complete without some reference to local taxation and the local debt burdens. These form as much a charge upon the nation as the imperial expenditure and obligations, and every year, owing to the way that national and local finances are now interwoven, they become more intimately bound up with the national well-being. Unfortunately, the information regarding the local taxation of the United Kingdom is still incomplete, especially as regards Scotland: so incomplete that we have for portions of it only estimates, and these of no later date than the year 1873-74. So far as England alone is concerned, we are, however, now considerably better off. The Local Government Board publishes every year a report containing full details of the local burdens of England, and provides, likewise, a fair amount of data whereby to estimate the growth of these burdens and the incidence of local taxes; but even in respect of England the statistics of

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local debts are by no means so full and clear as they ought to be.

It is not the purpose of this essay to carry the reader into the heart of the vexed questions surrounding local taxation. A task of that kind would involve a book in itself and still leave many questions unsettled. The complications that arise through the variety of our local authorities, and from the peculiarly intricate positions of our land tenures and customs, must make the one question of the incidence of local taxes alone practically insoluble, especially in the urban divisions of the kingdom. But there are certain broad facts which deserve attention, and about which there can be no manner of question. Amongst these there are two that come fairly within the scope of the present history. One is the growth and present amount of the local taxation of the kingdom, and the other the state of the local debt. Historically, we have no very complete data to go upon so far as any part of the kingdom is concerned, and almost none at all as regards Scotland. Mr. Goschen's report on local taxation is incomparably the best guide on the subject that there is; but his figures are perforce partly estimates, and they date quite thirteen years ago. But they are estimates based upon the best probabilities, and may be accepted as about the most accurate that can possibly be obtained. He placed the total local expenditure of the United Kingdom at upwards of £36,000,000 in 1868, and made it up as follows:—

Local expenditure in Scotland (partly estimated) .	£3,000,000
,, ,, in Ireland	3,050,000
,, ,, in England	30,240,000
Total . . .	£36,290,000

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Of the English portion of this expenditure, £16,200,000, or 53½ per cent of the whole, was raised by local rates; £4,350,000 or 14⅕ per cent by tolls, dues, fees, etc.; £5,500,000 was raised by loans; and the Government gave £1,225,000 from imperial taxes. The increase in the rates alone he estimated at about £8,000,000 since 1840, of which about £5,300,000 was new rates. Most of the increase had fallen upon the towns, as was natural, seeing their population had increased at the expense of the rural districts.

Many new kinds of property—railways, mines, iron-works, factories, etc.—have sprung into existence, and, added to the increase or different allocations of the population, make it difficult to say whether this increase in the rates meant a real augmentation of the burden of any one class or not. Taken all over, the rates had not risen in the same ratio as the value of property compared with those of 1815, but compared with 1840 the increase in the rates had much exceeded that of the ratable value of property in England and Wales. Briefly, the increase in the value of property between 1841 and 1868 was 61 per cent, and the increase in the total rates 105½ per cent. These figures prove that since 1841 the modern spirit of improvement has been abroad in the land, and it is a spirit which within the past ten or twelve years has added much more to the weight of local taxation than people are usually aware.

Confining the attention for the present to England and Wales alone, we find that the total local expenditure for the year 1879-80 was £50,253,000, and even that total was £1,923,000 below the total of the preceding year. Excluding money raised by loan in both cases, as well

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as the Government subventions, the local taxation of 1879-80 was £31,043,000, an increase of £7,628,000, or over 32 per cent on that of 1868. The true test, however, of the increased incidence of local taxes, is in the rates alone. These were £16,200,000 in 1868, according to Mr. Goschen's tables, and in 1879-80 they were £25,927,000, or £9,727,000 more. This represents an increase of 60 per cent, and in the same period the value of ratable property, as measured by the returns of schedule "A," for income-tax has risen only by about 47 per cent. By this comparison it appears that the rates have continued to rise in amount considerably more than the augmentation in the value of property, taking England as a whole, and judging by the standard adopted in Mr. Goschen's report. Were we to take the poor-rate valuation alone, the difference would be more unfavourable still. That is to say, the rates would then appear to have risen 60 per cent, as compared with an increase of little more than half that in the ratable value of property. But it must be remembered also that the valuation of property is much more stringently made now than it was twelve years ago, especially in towns, and there is reason to believe that the practice of frequent revaluations has had the effect of increasing totals much more rapidly than was formerly the case. Sometimes it is to be feared that these increases are arbitrary and unjust to an extent which makes the increase in the rates very burdensome indeed. The situation is thus probably worse in reality than it looks, and it points a moral which the people would do well not to disregard. The record of the debts alone contracted by local bodies proves that there are causes at work in augmenting

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local burdens which require to be kept in check with a tolerably strong hand. One of the recently-created incentives to borrowing, and that perhaps the most potent, is the Education Act of 1870. This has fairly enough added considerably to the local burdens of those places, chiefly towns, where it has come into full operation. The School Board rate in 1879-80 was close upon £2,000,000, and including loans the total local expenditure of England for the education of the masses in that year was over £4,000,000. The poor-rate has decreased in recent years, but there has been a very large increase in the rates levied for sanitary purposes, the total under that head being £9,000,000 in the year named. Much of this is doubtless highly laudable, but as the modern enthusiasm for sanitation and for the æsthetic development of the population leads to a great creation of debt, much is also dangerous.

To get into debt, in short, is the great aim and ambition of almost every local authority in the country in the present day, and the Government has considerately provided facilities for gratifying this craving to an extent that excites serious fears for the future when the statistics are examined. Since 1871 the Local Government Board has permitted local urban and rural authorities to raise loans from the Public Works Loan Commissioners —a body designed to act as intermedians between these authorities and the ultimate lenders, for the benevolent purpose of enabling the borrowers to raise money at lower rates than would have been possible had they staked their own credit alone—to the amount of £21,757,000 to be spent on improvements; and this generic name includes many things, from drains to

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labourers' dwellings, such as widening and paving public streets, building public baths, bridges, markets, hospitals, providing pleasure-grounds, and so on. In the majority of instances it would probably be very much better that the Central Government should have nothing whatever to do with any such expenditure. Apart from old habit (the custom dates from the end of last century), its justification of course is that there are often no properly constituted local authorities able to regulate these spendings, and that the supervision of the supreme Government is better than none. That is just the doubtful point; but at all events under this *régime* in considerable measure the local debts of England have increased from £80,000,000 in 1873 to £137,097,000 in 1880. This is an increase of £57,000,000 or over 71 per cent in seven years, a truly alarming rate, whatever allowance be made for the pressure of the Education Act, the Labourers' Dwellings Act, and other stimulants to local development, and one that to a great extent explains the prodigious augmentation of local rates; for the borrowing proceeds briskly on all sides independently of the Government. The great towns such as Birmingham and Manchester have raised money for gas and water works, and to this there can be no objection so long as these works become no kind of burden on ratepayers, or even so long as the ratepayers permit the money to be raised. The metropolis spends immense sums on questionable and unquestionable improvements, for the Labourers' Dwellings Act has, in London also, given a new stimulus to the passion for improvement by debt, and this perhaps may be justified, although London has no responsible local government. But there are multitudes of bodies

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all over the country no more responsible than the London vestries, and far less capable, in many instances, of judging wisely whether money should be borrowed and spent or not, and it is just to such bodies that the Central Government, by the present system, lends its credit with most danger. One great curse of much of this debt, as an able writer in the *Edinburgh Review* lately pointed out,[1] is that it throws on to the next generation a great part of the cost of improvements carried out for the benefit of the present. Many of the debts are made repayable over long terms of years, especially those created by private legislation, and not through the medium of the Public Works Loan Commissioners, and thus not only overload the rates just now, but handicap future generations with obligations that may check their progress and work great mischief. The evil of debts like these, in short, is that their worst effects do not immediately develop. When they do, in all likelihood the Imperial Government will have to take upon itself some of the burdens now so lightly assumed by local bodies often of the most irresponsible kind. Something in this way has already been done by the Government. The total advance made by the Public Works Loan Commissioners up to 31st March 1881 in Great Britain and Ireland alone—they also have made advances to the Crown colonies—was £74,622,000, and of this no less than £9,543,000 has been written off as lost. Ireland is responsible for £7,715,000 of this loss, and there perhaps loss was to be expected, for much of the money lent was merely so much charity, but loss has occurred, and may be expected to occur again, on loans

[1] *Edinburgh Review* for April 1881.

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made for local purposes in Great Britain. There is nearly half a million of money in arrear now on current loan transactions exclusive of Ireland, which is at present only £290,000 behindhand.

I must not, however, pursue this subject farther. It is more immediately to the purpose to show the present total taxation and debt of the United Kingdom, imperial and local. As regards taxation this, as has been said, can only be done approximately, for there are no complete returns for either Scotland or Ireland. The Scotch Board of Supervision publishes a very useful report upon the poor-rates and public health expenditure of that part of the kingdom; and the Irish Local Government Board issues returns good as far as they go; but neither are complete. In the following table I have therefore had to fall back upon the estimates for 1873-74 quoted in each year's "statistical abstract" so far as these two divisions of the kingdom are concerned.

Total Imperial revenue from taxation (1880-81) .	£68,950,000
Local income of England and Wales from rates alone (1879-80)	25,927,000
Local income of England and Wales from tolls, dues, and rents (1879-80)	4,678,000
Local income of England and Wales from duties (1870-80)	438,000
Scotland (direct and indirect local taxes estimate of 1873-74)	2,373,000[1]
Ireland (direct and indirect local taxes estimate of 1873-4)	2,996,000[1]
Total imperial and local taxation of United Kingdom	£105,362,000

[1] In both these cases the gross local income must be a good deal more. Mr. Goschen made it more in 1868, and it cannot have fallen off since. There is, however, nothing to estimate it by.

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Against this has to be placed a net expenditure which I estimate as follows:—

Imperial expenditure from taxation, excluding working expenses of remunerative public departments, 1880-81	£68,020,000
Local expenditure of England and Wales, exclusive of subsidies from imperial taxes, and of the education grant, but inclusive of loans (1879-80)	48,136,000
Local expenditure of Scotland (estimated on the basis of revenue above given, with the addition of loans granted in 1880-81, but exclusive of education grant)	3,200,000
Local expenditure of Ireland, estimated on the same basis as that of Scotland	5,000,000
Total	£124,356,000

This would make an excess expenditure of over £18,994,000, and that is probably near the mark; but as the years for the imperial and local expenditure are not the same—I having taken the latest figures available in both cases—and as the local expenditure of Scotland and Ireland is estimated, these figures can only be accepted as a rough approximation towards the truth about provincial lavishness. A modifying consideration, however, has to be taken account of in the case of Ireland, the total expenditure for 1880-81 having been swollen by contributions granted for the relief of distress to the amount, including £405,000 supplied in that year to provide seed for the poor agriculturists, of £420,000. Debt conversion and the purchase of public works have also to be allowed for, and might perhaps be held to reduce the deficit by the odd £994,000.

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But, making every allowance, this is a most formidable budget, showing a most ominous deficit. Every year the local debt of the nation grows, and the reduction of imperial burdens, when it does occur, is far more than compensated for by the increase in the local.

I omitted the imperial contributions to local rates so that the totals might not be counted twice over; but it will be well to state now how the account stands in this direction. In the report of the Local Government Board for 1880-81, the contributions from imperial revenue to local expenditure are tabulated as follows for the three years then ended:—

	1878-79.	1879-80.	1880-81.
Metropolitan Fire Brigade .	£10,000	£10,000	£10,000
Rates on Government Property . . .	166,843	165,783	161,768
Poor Law and Sanitary Officers . . .	273,023	271,389	295,568
Pauper Lunatics . . .	380,000	395,000	412,000
Registrars of Births and Deaths . . .	10,000	9,700	10,000
Criminal Prosecutions .	170,670	180,568	180,547
Police, Metropolitan . .	442,650	452,800	451,705
,, County and Borough	745,000	762,000	764,000
Prisons, Reformatories, and Industrial Schools .	673,834	610,600	614,635
School Boards . . .	700	1,025	1,000
Berwick Bridge (for repairs)	90	90	91
Total . .	£2,872,810	£2,858,955	£2,901,314

This is for England and Wales alone, exclusive of the education grants, the Irish and Scotch University grants, and items of that kind, all of which may not be considered purely local. The education grants alone

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for the United Kingdom in 1880-81 were as follows:—England, £2,536,000; Scotland, £464,000; Ireland, £722,000—in all £3,720,000. But even this does not comprise everything paid for out of local taxes. The Irish constabulary costs no less than £1,300,000 a year, and between three and four hundred thousand more is paid to Ireland for other purposes, more or less purely local; while the Scotch grants of every kind do not reach £300,000, exclusive of the education grant. Altogether we may put the grants in aid out of the imperial revenues for local or provincial purposes at not less than £8,500,000, of which England absorbs about £5,500,000, Ireland fully £1,600,000, and Scotland less than £700,000. In proportion to the population the relief to Ireland is thus, in one sense, greater than to any other part of the kingdom; but the Irish probably consider that that portion of the contribution which pays for their police is not expenditure which benefits the nation. In other respects there is a good deal to be said against much of this diversion of imperial taxes into local pockets, but they may all be summed up in the one complaint, that they imply a lamentable absence of properly organised local government. The more government is centralised, the greater is the tendency of local expenditure, debt, every local burden in short, to fall upon the shoulders of the taxpayers at large.

A word must be said as a conclusion to this subject on the total debt of the kingdom, imperial and local. The same difficulty meets us in dealing with this that besets questions of taxation. We have no complete returns outside England. The local debt of this part of the kingdom alone was put down at £137,000,000 odd

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in 1880, but to this have to be added the local debts of Scotland and Ireland, of which there are absolutely no accurate statistics available. Scotland, however, has borrowed up to the end of last financial year £2,300,000 for school board purposes, and has other loans to the amount of about a million more outstanding in account with the Public Works Loan Commissioners, while Ireland has about £5,000,000 outstanding, exclusive of the debt remitted. Both countries have likewise considerable urban debts contracted independently, and which we shall not be exaggerating if we place at a total of £3,000,000 more. Since 1879-80, moreover, the debt of England to the Public Works Loan Commissioners has been increased by nearly £2,000,000, and if these various sums are added to the total above given, we get a total local debt for the United Kingdom of fully £150,000,000 at the end of last financial year, which is probably under the mark, as I have not taken into account the borrowings effected through private Acts of Parliament. To this must be added the imperial debt, which was estimated at £768,704,000 in last "statistical abstract." It will not do, however, to add these two totals together, and call the result the total debt of the nation, for, in the first place, the "statistical abstract" appears to over estimate the capital value of the terminable annuities by some millions. For present purposes it will be near enough to calculate the value of these annuities at not more than £32,000,000, and in addition to the £5,000,000 odd in this way struck off, it is necessary to deduct the amount of the loans raised by local bodies through the Public Works Loan Office and the Treasury, which are included

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in the total of the local debt, else part of the debt would be reckoned twice. This is about £32,000,000, and these two sums taken off reduce the capital of the national debt proper to about £732,000,000. Adding this to the total local debt, we arrive at £872,000,000 as the amount of the entire imperial and local indebtedness of the United Kingdom. The country owes, therefore, positively about as much to-day, all told, as it did at the close of the revolutionary wars; but the burden of the debt is by no means the same, for the population has increased nearly threefold, and the wealth at least fourfold since then. But the weight is great enough, and in certain parts of the kingdom it grows at a rate that is calculated to do great mischief.

Contrasted, however, with some of our neighbours, we have great reason to congratulate ourselves on the moderation alike of our taxation and our debt. The spectacle of France especially is calculated to soothe any feelings of disquiet which the contemplation of our economic position might cause. The imperial budget alone of France now almost equals the entire local and imperial taxation of the United Kingdom, and her actual income from imposts, direct and indirect, must now be about £30,000,000 a year more than our own, as the yield of her posts and telegraphs is much less than ours. What her local budget is cannot be accurately stated, as recent figures are not available. We know, however, from the admirable report of Mr. Jerningham, quoted in Mr. Goschen's report on local taxation, that as near as could then be ascertained, the local taxation of France increased by 95·36 per cent between 1837 and 1867, or from £12,903,000 to £25,207,000. Her imperial taxation

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increased in the same period 78 per cent, so that the rise in local burdens was not caused by a transfer to them of burdens in former times treated as imperial. Since 1867 there has been another increase of nearly, if not quite, 100 per cent in the imperial taxation of France, and if the progress of the local has been but on the same scale as in the earlier period, the total burdens of France, imperial and local, would now be some £60,000,000 per annum more than our own. It is not likely so much, because of late years there has been an increasing tendency to centralise, and the imperial Government is even now spending large sums —£16,000,000 to £20,000,000—every year in the execution of provincial works, minor railways, roads, harbours, canals, etc., the charges for which are laid upon the imperial revenue. For this and other reasons the imperial budget of France now represents much more of purely local expenditure than our own, but for all that the local burdens are heavy, and estimated by the augmented local debt alone, must have increased. It is probably an underestimate to place the increase at 10 per cent on the figures for 1867, for the urban and communal octrois have increased much of late years, and amounted in 1876 to about £10,000,000; but, taking it at that, we get a total expenditure for France, imperial and local, of more than £140,000,000, or £35,000,000 more than our own. This would represent an increase of 64·7 per cent since 1867, as compared with an increase of less than 20 per cent in the total expenditure of the United Kingdom in the same period. The contrast is made all the greater by the fact that while the population of

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France has been almost stationary, ours has, within the past fifteen years, increased by nearly 13 per cent.

Equally comforting to us is the comparison of the debts of the two countries. There are no complete statistics of the local debts of France, any more than of our own, but including the communal and other loans raised by the medium of the Credit Foncier, they cannot be less than £150,000,000, for the debt of the city of Paris alone is nearly £80,000,000, costing about £4,000,000 per annum for interest and amortization; while the imperial debt of France, funded and floating, appears to be now just about £1,000,000,000. This would give a total of over £170,000,000 more than our debt of all kinds, and it is probably an under estimate. Upwards of £40,000,000 a year of the French imperial revenue is absorbed by the debt charges alone, including sinking funds, or terminable annuity charges, but a part of the debt is represented by public works.

Of no other important European State except France have we any means of estimating the relative positions of the local and imperial budgets. The finances of Germany and Austria are complicated by the subdivision of these empires into so many minor states or provinces; Italy is to some extent in the same position, owing to the undigested state of her local obligations, and the way that the affairs of the old states composing the new kingdom still intertwine with the national finances; and were this subject to be pursued farther, the only countries about which a certain amount of definite information might be available are Belgium and Holland. Regarding Belgium, indeed, a most valuable report has just been made by Sir H. Barron, but it

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does not afford much material for comparison with our own position. We may note, however, that the communes of Belgium own a good deal of land,—in some instances so much that they are able to dispense with taxes altogether. Octrois, or local customs, were abolished in Belgium in 1860, and as compensation certain parts of the imperial taxes were assigned to the communes. The quota ranges from 35 to 75 per cent, so that the taxation of Belgium is on an entirely different footing from ours.

The latest authentic estimates regarding most European countries are those given by Mr. Goschen from the data furnished to him by British representatives abroad; and the simplest way to set before the reader the roughly ascertained facts regarding them is to give the following table extracted from his valuable report. In doing so, regret may be expressed that foreign Governments do not periodically compile full returns upon this important subject. No taxation can be wisely adjusted which is not based to some extent on a knowledge of the incidence and amount of the taxes imposed. The dates of the figures in the following return do not profess to correspond, but none are later than 1868:—

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Countries.	Total Taxation.			Taxation upon Real Property.					
	Imperial.	Local.	Total Imperial and Local.	Imperial.		Local.		Total Imperial and Local.	
	£	£	£	£		£		£	
United Kingdom	65,395,000	25,155,000	90,548,000	8,157,000	12·47	20,007,000	79·54	28,164,000	31·11
France . .	60,161,000	21,347,000	81,508,000	17,636,000	29·31	5,893,000	27·60	23,529,000	28·87
Russia . .	42,878,000	5,679,000	48,557,000	5,093,000	11·88	3,303,000	58·00	8,396,000	17·28
Prussia . .	13,297,000	.....	.....	2,041,000	15·35	.....	...	.....	...
Holland . .	5,505,000	1,649,000	7,154,000	1,206,000	21·91	236,000	14·26	1,442,000	20·16
Belgium . .	4,846,000	1,597,000	6,443,000	1,784,000	36·82	273,000	17·07	2,057,000	31·92
Austria . .	20,636,000	1,524,000	22,160,000	5,382,000	26·10	808,000	53·02	6,191,000	27·93
Hungary . .	8,577,000	.....	.....	3,320,000	38·69	.....	...	.....	...

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It should be stated that most of these totals are guesses so far as local taxes are concerned, and some of them are obviously incomplete, even where all the details are professedly given. The chief value of the table, indeed, is the estimate given in it of the proportion of taxation borne by real estate in various countries, and I have put it here mainly to give readers the means of seeing how, on the best estimates obtainable, we stand in that respect compared with other nations. Apparently we stand very favourably, —if, that is to say, it be good for real estate to bear a large share of the weight of Government expenditure,— but it must not be forgotten that "real property" in the above table includes house property. Were "land" —the real estate burdens of England—alone dealt with, our position would be very different. This kind of estimate, in short, is nearly valueless in enabling us to say what part of our taxation, or that of any other country for that matter, falls upon the owners of land as distinct from other classes of the people. With us it is certainly very much less than the percentage given in Mr. Goschen's return. In most other respects, however, we are in a favourable position.

And when one looks back at the events of our past financial history, marks the lavishness of our rulers, the waste of wars, the feebleness of the checks that apply over most of the field occupied by the presumedly necessary items in the outlay, one is disposed to be thankful that the country stands so well. We have not paid off debt at the rate of the United States—nigh £200,000,000 in sixteen years—but neither are our people mulcted of heavy taxes on industry like theirs.

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Much still remains to be done, and danger may arise if it be not done; but still our huge national debt has had one good result all along. In the earlier times it was probably a stimulus to thrift and a spur to exertion; latterly it has formed a handy and safe mode of investing the savings of the people, which might have with difficulty found elsewhere so good a resting-place. This is no excuse for the non-payment of that debt, or at least less of an excuse now than it has been, for channels of good investment multiply every year, and if impending changes open up the land to the capital of the nation, a far better investment will be found in it than in any Government stock. After all, the debt is a mortgage on the labour of the people, and no mortgage can ever in the long run be other than a danger. To the people at large the national debt is a great injustice. In a sense we may say every child born within the kingdom begins the world £25 behindhand. Imperial and local debts together imply a charge of nearly 17s. per head, which has to be borne as a lifelong load. Its weight retards fiscal reforms, and conduces to the poverty of the masses. Good as, by contrast with some of our European neighbours, our position in this respect may be, it will well bear mending. One may therefore hope that in the future an educated electorate will insist on paying off the debt, and will follow with more closeness, and with a better grasp of the principles of sound finance, the national and local budgets of the United Kingdom.

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SUPPLEMENTARY NOTE

ON THE COST OF WARS FROM 1688 TO THE PRESENT DAY.

THE figures in the following table down to 1869 are extracted from the tables given in Appendix 13 of the important return relating to public income and expenditure published in 1869, and so often quoted in these pages. The totals are computed on the method adopted by Sir John Sinclair and also used by me in the isolated computations of the preceding chapters. No account is, of course, taken of the increased debt charges involved in each struggle, and this is fair enough where the object is to exhibit—not the total burdens thrown upon a people by strifes, but the cash outlay involved in carrying them on. In dealing with the figures subsequent to 1869, which I have placed in one sum at the end of the table, I have included the *Alabama* award, the votes of credit on account of the wars in Europe in 1871 and 1878, the Ashantee War, the South African War, and the whole of the £5,000,000 granted to India in aid of the cost of the war in Afghanistan. These figures are easily ascertained, and may be taken to represent fairly all the extra expenses we have been put to on account of wars and rumours of

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wars in recent years, with the exception, perhaps, of about £3,000,000 extra spent on our army and navy in 1879 over and above the normal amounts, and a small additional charge for the war in Abyssinia. Taking the excesses of this nature unenumerated at £3,000,000, I get the sum given at the foot of the official return, which ends at 1868, as the total cost to England of all strifes in which she or her neighbours have been involved between 1869 and 1881.

COST OF EACH WAR FROM 1688-1881.

GREAT BRITAIN.

1688-1697.—War in Ireland and against France, etc.—		
Total Naval and Military Expenditure in the nine years . .	£36,876,203	
Arrears outstanding . . .	5,684,112	
	£42,560,315	
Average Naval and Military Peace Expenditure, 1685 - 1687 = £1,101,839 per annum. For nine years . .	9,916,551	
Total Cost of War, 1688-1697 .		£32,643,764
Of this amount the cost to the British Exchequer of the Reduction of Ireland was officially reported to King William's Parliament as amounting to £3,851,655.		
1702-1713.—War of Spanish Succession:—		
Total Naval and Military Expenditure in twelve years . . .	£64,817,654	
Carry forward . .	£64,817,654	£32,643,764

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Brought forward . .	£64,817,654	£32,643,764
Arrears outstanding . . .	1,461,638	
	£66,279,292	
Average Naval and Military Peace Expenditure, 1698 - 1700 = £1,299,528 per annum.		
For twelve years . .	15,594,336	
Total Cost of War, 1702-1713 .		50,684,956
1718-1721.—War with Spain :—		
Total Naval and Military Expenditure in four years . . .	£9,223,806	
Arrears outstanding . . .	2,175,518	
	£11,399,324	
Average Naval and Military Peace Expenditure, 1715 - 1717 = £1,713,000 per annum.		
For four years . .	6,852,000	
Total Cost of War, 1718-1721 .		4,547,324
1739-1748.—War with Spain (Right of Search) and of Austrian Succession :—		
Total Naval and Military Expenditure in ten years . . .	£55,875,668	
Arrears outstanding . . .	6,201,974	
	£62,077,642	
Average Naval and Military Peace Establishment, 1736-1738 = £1,842,245 per annum.		
For ten years . . .	18,422,450	
Total Cost of War, 1739-1748 .		43,655,192
1756-1763.—Seven Years' War (war expenditure continued to 1766) :—		
Total Naval and Military Expenditure in eleven years . . .	£104,611,374	
Average Naval and Military Peace		
Carry forward . .	£104,611,374	£131,531,236

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Brought forward . .	£104,611,374	£131,531,236
Establishment, 1753 - 1755 = £1,998,876 per annum.		
For eleven years . .	21,987,636	
Total Cost of War, 1756-1763 .	————	82,623,738
1776-1785.—American War (war expenditure continued to 1786) :—		
Total Naval and Military Expenditure in eleven years . . .	£139,521,035	
Average Naval and Military Peace Establishment, 1773 - 1775 = £3,811,049 per annum.		
For eleven years . .	41,921,539	
Total Cost of American War, 1776-85	————	97,599,496
GREAT BRITAIN AND IRELAND.		
1793-1815.—War with France (war expenditure continued to 1817) :—		
Total Naval and Military Expenditure in twenty-five years . .	£989,636,449	
Average Naval and Military Peace Establishment, 1790 - 1792 = £6,259,000 per annum.		
For twenty-five years .	158,190,000	
Total Cost of War with France, 1793-1815	————	831,446,449
1838-1843.—Insurrection in Canada, Total Votes of Credit, . .		2,096,046
1840-1843.—First China War . .		2,201,028
1848-1853.—Kaffir War . . .		2,060,000
1854-5, 1855-6.—Russian War (expenditure continued to 1856-7):—		
Total Naval and Military Expenditure in three years . . .	£116,053,151	
Average Naval and Military Peace Establishment, 1851 - 1853 = £15,591,819 per annum.		
For three years . .	46,775,457	
Total Cost of Russian War, 1854-5, 1855-6	————	69,277,694
Carry forward . .		£1,218,655,687

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Brought forward . .	£1,218,655,687
1856-7, 1860-1.—Second China War, Total Votes of Credit . .	6,640,693
1856-7.—Persian Expenditure . .	900,000
1864-5.—New Zealand War . .	764,829
1866-7, 1867-8.—Abyssinian Expedition	8,600,000
Non-official estimate of the cost of all subsequent wars and precautionary expenditure on account of wars, as explained, down to 1881 . .	23,120,000
Grand Total (in round thousands) .	£1,258,681,000

This total may safely be accepted as the minimum outlay of this kind, even on the narrowest basis of computation. For the French revolutionary wars the extra expenditure of 1817 is included above, and hence the total exceeds that given in the text; but in other cases, especially in that of the American War of Independence, the official estimates are less than I, following Sir John Sinclair, have given. Take the above total, however, as representing the facts, and it surely tells a sad story. For nigh two centuries we have been fighting all the world over, and the bills of these wars come to an amount that, could we conceive it hoarded and invested at 3 per cent for the public good, would provide an annuity of some five guineas a year for every family of five persons in the United Kingdom. In one sense that is an absurd way of stating the case, but it may suffice to bring home to the reader the prodigious meaning of the figures. Instead of wealth for the masses of the people, these figures mean poverty, and have meant it for many generations.

THE END.

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that part of property which is, perforce, political—the land; of the relation between State and Church which bulks so largely in our history, and is entwined so closely with our present organization; and lastly, of those relations of the State that are other than domestic.

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